The National Insurance Buyer

OFFICIAL ASIM PUBLICATION

CORPORATE INSURANCE MANAGEMENT

AN INFORMED BUYER IS A BETTER BUYER

LAKE ITASCA — In Minnesota

AMERICAN SOCIETY OF INSURANCE MANAGEMENT

Volume 3 MAY 1956 Number 3

OFFICIAL ASIM PUBLICATION
The National Insurance Buyer
CORPORATE INSURANCE MANAGEMENT

We honor . . .

Minnesota Chapter, ASIM, for its great contributions to the insurance profession and its esteemed accomplishments for the American Society of Insurance Management.

About the cover . . .

LAKE ITASCA, in Minnesota — the Land of 10,000 Lakes, has the distinction of being the source of the mighty Mississippi River. Here the Father of Waters starts its long journey to the Gulf of Mexico, covering 2,552 miles and winding through ten states.

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MINNESOTA CHAPTER, ASIM

Early in 1937 a few Twin Cities insurance buyers met to form the organization now known as the Minnesota Chapter of the American Society of Insurance Management, Inc. The men who met that evening had on occasion consulted each other on some insurance problem and felt that a formal organization holding regular meetings would provide a medium for interchange of ideas and experiences that would be very helpful to the entire membership. Little did they dream of the far reaching effects and results.

Announcement of the formation of Insurance Buyers of Minnesota caused considerable consternation among the brokers, agents and Insurance Company representatives. They apparently thought the Buyers group would work against them rather than with them. We are happy to say that feeling has long since disappeared and that they have on many occasions recommended membership in our organization to their clients.

Officers of Minnesota Chapter, ASIM: Left to right — H. V. Noland, President; Paul T. Mucke, Secretary-Treasurer; and K. N. Cervin, Vice-President.

Membership

In its 19 years of existence, the Minnesota Chapter has spread beyond the confines of the Twin Cities. At the present time, the membership represents 56 companies in 41 industrial and commercial classifications located in 14 urban communities within the state of Minnesota. The total Chapter membership is approximately 70. Many of the companies represented by membership are nationally known. In fact, the names of some of them can rightfully be termed household by-words.

Meetings

Meetings of the Minnesota Chapter may feature a guest speaker or provide for a panel or round-table discussion. Speakers are drawn from insurance profession circles, generally specialists in their respective fields. Underwriters, loss prevention and safety engineers, adjusters and appraisers have all contributed to the knowledge acquired by members through meeting attendance. During the 1955-56 program year, the following contract forms and types of coverages have been discussed at Chapter meetings: Group Major Medical Insurance, Manufacturers Output Policy, and Boiler and Machinery Insurance. The last meeting of each program year is a golf outing to which brokers and agents are invited as an expression of appreciation for their assistance and cooperation during the year. The golf outing, held at Le Sueur, Minnesota, and arranged by the Green Giant Company, has become a tradition which is eagerly anticipated by all.

Monthly Insurance Letter

During the current year issuance of a Monthly Insurance Letter was begun. This is distributed by mail to each member as a service by the Minnesota Chapter. The Monthly Insurance Letter contains currently useful information on coverage developments, legislative matters and even answers to insurance questions submitted by the membership. The editor is Mr. E. Chambers of Minnesota Mining and Manufacturing Company. This publication has been enthusiastically received.

Minnesota Insurance Department

Over the years since its incep-

(More on page 4)

Minnesota Chapter

(From page 3)

tion, the Minnesota Chapter has developed a close relationship with the Minnesota Insurance Department's various divisions. Not infrequently the State Insurance Commissioner has addressed a Chapter meeting. Representatives of the Chapter cooperate with the Minnesota Compensation Rating Bureau in reviewing and examining workmen's compensation insurance rate revisions and proposals as such data is prepared prior to filing. The recently revised Minnesota Standard Fire Policy was submitted to the Chapter for study and approval before being presented for legislative action. When the State Legislature is in session, the Chapter is frequently asked to have representation present at legislative committee hearings on various insurance matters. In addition, the Minnesota Chapter has a standing Legislative Committee whose membership is responsible for following all legislative matters pertaining to insurance and reporting thereon to the Organization. In somewhat the same vein the Minnesota Chapter has 1 representative on the Governor's Industry Advisory Committee.

Other Influences

Members of the Chapter have been influential in the broadening of forms of insurance applicable nationwide and in turn have brought to Minnesota industry and its problems a knowledge gained in their contacts throughout the nation.

Affiliation With ASIM

Early in its history, the Minnesota group became aware of the need and advisability of a national organization. Various proposals were considered but it was not until the organization now known as American Society of Insurance Management, Inc., was suggested, that the Minnesota group felt the step was in the right direction. That feeling of confidence was evidenced by the decision to affiliate with that national organization as the Minnesota Chapter, American Society of Insurance Management, Inc.

Officers

The present officers of the organization are H. V. Noland, M. F. Patterson Dental Supply Co., President; K. N. Cervin, Minneapolis-Moline Co., Vice President; P. T. Mucke, Gamble-Skogmo, Inc., Secretary-Treasurer; and Lillian K. Polzin, Minneapolis Chamber of Commerce, Administrative Secretary. E. G. Chambers, Minnesota Mining & Mfg. Co.; A. D. Marvin, Green Giant Co.; and Julian Mageli, Nash-Finch Co., and the first three officers named are the Board of Directors. The Minnesota Chapter is represented on the National Board by R. F. Boettcher, Geo. A. Hormel & Co., Regional Vice-President, and D. L. Hail, Pillsbury Mills, Inc., Director.

Extra Value makes the difference in insurance

Photo courtesy Electric Boat Div, General Dynamics Corp.

Too hot to handle?

The North America Companies didn't think so, though some other underwriters considered the world's first atomic-powered submarine too "hot." North America, through qualified agents, furnished General Liability, Workmen's Compensation and Business Interruption that might result from atomic radiation. This is another case where NA, traditionally the pioneer, accepted the challenge of a wholly new risk. It required vast capacity, service facilities, competent underwriting and technical experience to accept the *Nautilus*, and later its sister ship *Seawolf*. These are the 'extra values' of insurance North America is emphasizing in its current advertising in business magazines. You can give *your* key risks, large or small, these extra values—available from one source.

See the full story on the Nautilus in the April issue of 'The North America Fieldman'

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Protect what you have©

NORTH AMERICA COMPANIES

Insurance Company of North America
Indemnity Insurance Company of North America
Philadelphia Fire and Marine Insurance Company
Philadelphia

The Insurance Function and Its Audit

by K. N. Cervin, Vice President, Minnesota Chapter, American Society of Insurance Management

I am sure we will all substantially agree that any audit requires some familiarity with the audit subject and that this would be particularly true of an operating function, as differentiated from accounting. Therefore, before discussing the audit of the insurance function, we will briefly review some principles of insurance and the more widely used coverages.

Insurance is essentially protective. It is intended to take the gamble out of the insurable risks and perils to which business enterprise is subject. A well developed insurance program contributes stability to the business enterprise. Without insurance the business enterprise is a gambling venture. Insurance is the difference between certainty and uncertainty. Insurance is based on the law of numbers. Predicting the outcome of one toss of a coin is uncertain. Toss a coin a thousand times and certainty and predictability replace uncertainty and unpredictability.

The insurance policy is a legal contract. It contains all of the essential elements of a contract including consideration and at least two parties and obligations of performance are placed on all parties concerned. Insurance is a broad technical subject involving the professional fields of law, engineering, actuarial science, investments and others perhaps to a lesser degree. While insurance is technical and basically scientific, its administration is more of an art than it is a science. There is considerable general opinion to the effect that insurance is highly standardized. Governmental regulation does contribute substantially to uniformity but within this legislative frame work competition is keen and insurance markets are continually changing to meet varying industry needs. There is a great deal of give and take in the day to day relations between agents, companies and insurance buyers. Buyers requests receiving an emphatic "no" today may receive an enthusiastic "yes" tomorrow. There are many forces and influences at work beneath the veneer of standardization so that it may be said that change and fluidity are dominant characteristics of the insurance industry.

* * *

A successful insurance audit requires that the auditor have at least an elementary knowledge of the insurance coverages and forms available. Perhaps the first one that comes to mind is the fire insurance policy. The standard fire insurance policy affords protection to the insured against the hazard of fire and those perils coming under the extended coverage group which are usually lightning, riot, civil commotion and malicious mischief, explosion, aircraft, vehicle, smoke, windstorm, hail and sprinkler leakage damage. Protection against the explosion peril does not include the explosion of boilers or vessels under pressure.

* * *

Perhaps the most interesting and also the most complex of coverages are those coming within the business interruption group of which there are two principal forms. Essentially the business interruption policy is intended to reimburse the insured for loss of profits and those expenses which onctinue during the business interruption which would have been earned had no interruption occurred. One of the business interruption policies covers substantially the same perils as are designated in the standard fire policy. The other is the boiler and machinery policy which covers interruptions caused by accidents occurring to boilers, unfired pressure vessels, electric motors, air-compressors, transformers and miscellaneous electrical apparatus. The boiler and machinery coverage also covers the cost of repairing direct damage resulting from accidents to insured objects.

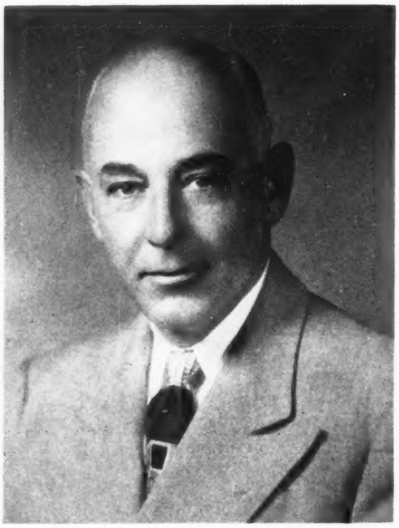
* * *

The policy forms just mentioned pretty well account for those relating to the protection of physical assets and profits with the excep-

(More on page 28)

K. N. Cervin, the author of this article, is Insurance Manager of Minneapolis - Moline Company. He was formerly manager of Internal Auditing and Systems and Procedures. Mr. Cervin's experience in both the insurance and auditing fields, qualifies him to speak authoritively on this interesting subject.

Business Interruption Loss Adjustments



by
Robert M. Beatty

Summary of a Speech Before the Insurance Buyers Association of Detroit, ASIM

There is an old saying, "The time to adjust a Business Interruption loss is when the policies are written." Well written coverage has proven a very, very helpful thing in loss adjustments but practice has proven that there are other details that must be attended to. No matter how much experience we might have in Business Interruption loss adjustments, it is necessary to constantly return to pure fundamentals to perfect a claim and the detail necessary to a satisfactory conclusion.

For many years, Business Interruption losses were looked upon as pure horsetrading because frequently it was necessary to resort to estimates of various kinds. Today, we estimate a great number of things in everyday business life and we realize most estimates are much more complicated than the estimates that sometimes have to be resorted to in Business Interruption losses. These losses actually resolve themselves down to fair minded and conscientious people trying to find fair facts and resulting fair answers.

One of the first fundamentals in the adjustment of such losses is to make certain at the very outset, or the time of a loss, that all concerned have a clear understanding of the factors that are necessary to the resumption of normal operations and conclusion of the adjustment. The Risk Manager or the person responsible for the conclusion of the adjustment should provide for the six following important steps and obtain the adjuster's agreement to them:

1. How the damaged or destroyed facilities are to be replaced.
2. Obtain an estimated time schedule of repairs, replacements and resumption of operations.
3. Set up special accounts as needed for various charges and expenses as incurred to coincide with the various types of insurance coverages.
4. Provide for departmental communications and progress reports.
5. Agree so far as possible with adjusters on the kinds or types of expense that will abate during the interruption.
6. Agree with adjusters on what extra-ordinary or expediting expense should be incurred in order to carry on temporary operations or hasten restoration of damaged facilities.

The adjuster should be informed at the time of the loss about all known matters. It is important that the Risk Manager or person responsible for the conclusion of the adjustment, periodically verify the facts initially obtained or as subsequently modified. The adjuster should be appraised from time to time of the progress of repairs, replacements and resumption of operations.

If the loss is of a serious nature and the damaged and destroyed facilities will be replaced in radically different design or kind, then provision should be made at the very outset to complete a loss adjustment based on estimated time and calculations, spreading the earnings loss over the actual period of time involved.

Robert M. Beatty has been an executive with W. A. Alexander & Company since 1950. He is responsible for the underwriting aspects of both general and special risks; the establishment and verification of insurable values; negotiations for coverage and special account work. His experience in all types of loss adjustments goes back over 30 years. In this time, Mr. Beatty has been engaged on major losses throughout the United States, principally with Western Adjustment and Inspection Bureau.

Mr. Beatty has played an important role in his firm's nation-wide accounts and especially with their recent opening of an office in San Francisco.

Time Element Is Important

The time element is the essence of a Business Interruption loss adjustment. Time is generally made up of a number of components: —

Wrecking, removing of debris and salvaging of all possible property.

Letting of contracts for repairs or replacements.

Reconstructing the buildings.

Replace machinery, equipment and other fixtures.

The placing of machinery in use so as to adjust and calibrate to proper efficiency.

Restore raw stock if it could not be replaced concurrently with other work.

(More on page 41)

Second Annual Insurance Seminar Is Sponsored by Central Illinois Insurance Managers Association, ASIM

The second annual insurance seminar, sponsored jointly by the Central Illinois Insurance Managers Association, ASIM, and Illinois Wesleyan University was held on Saturday, April 28th at the Memorial Center of the University, Bloomington, Illinois.

Registration was under the supervision of Dr. H. Wayne Snider, seminar manager and an honorary member of the American Society of Insurance Management.

The speakers for the morning session and their subjects were: "Blanket Dishonesty Coverages" by Paul Brown, vice president of Lumbermen's Mutual Casualty Company; and "Developments in Inland Marine Insurance", by William H. Rodda, secretary, Transportation Insurance Rating Bureau.

During luncheon Alfred G. Jeter, superintendent of agencies, Hartford Steam Boiler Inspection and Insurance Company, discussed "Steam Boiler Insurance Rates and Coverages".

In the afternoon session, Donald D. Cody, vice president of New York Life Insurance Company spoke on "Catastrophe Medical Coverages"; and Fletcher Colesman, vice president of State Farm Mutual Automobile Insurance Company, discussed "Automobile Liability".

Mr. F. G. Sutherland, insurance manager of Illinois Power Companies at Decatur, is president of Central Illinois Insurance Managers Association, ASIM.

Northern California Chapter Hears Lester H. Clark

At the April meeting of Northern California Chapter, ASIM, Lester H. Clark, Assistant Manager of Shipowners Claims Bureau, Inc. spoke on "Protection and Indemnity Insurance—How It Affects the Large Buyer."

He discussed a steamship company's legal responsibilities for damage to, and loss of, cargo and outlined the coverage provided under the P. & I. contract which insures these responsibilities. In addition, Mr. Clark summarized the most recent thinking and legislation regarding placing seamen's injuries and illnesses under the federal or state Workmen's Compensation law, and the highly controversial subject of abolishing marine hospitals.

Lester H. Clark received his education at the University of California in Berkeley. After serving three years in the Navy as a Lieutenant, he returned to the University and received his B.A. degree in 1947. Three years later he received his Bachelor of Laws degree and in 1951 was admitted to the practice of law.

Since 1952 he has been associated with Emmet J. Cashin, Manager of Shipowners Claims Bureau in San Francisco. Shipowners Claims Bureau acts as claims advisors to Protection & Indemnity underwriters for approximately 70% of all cases and claims handled on the Pacific Coast.

Neil Crowley and T.V. Murphy Take Part in Forum

The District of Columbia Association of Insurance Agents invited Mr. Neil Crowley and Mr. T. V. Murphy to take part in their Insurance Day Program on April 13th. The theme was "The Professional Agent."

Mr. Crowley of the American Cyanamid Company is a member of New York Chapter, ASIM. Mr. Murphy of Maryland Shipbuilding and Drydock Company is a member of the Maryland Chapter and a Regional Vice President of ASIM.

Both Mr. Crowley and Mr. Murphy were panelists on a forum entitled, "The Professional Agents' Responsibility to his Clients."

Houston's "Red Letter" Day

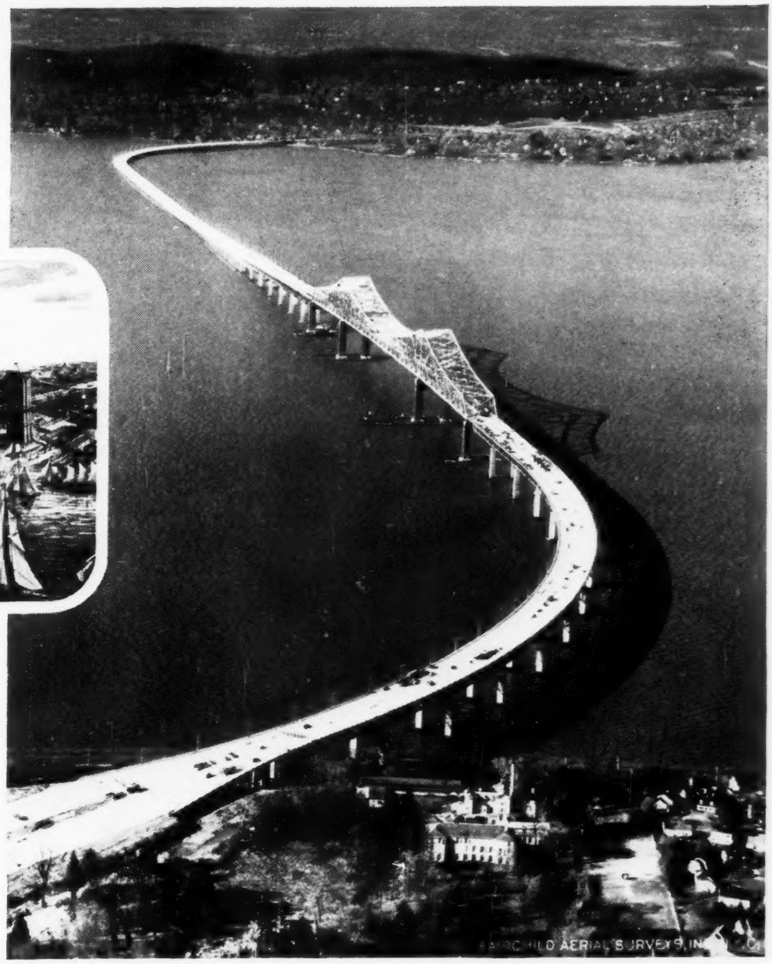
April 3rd was "Red Letter" day for the Houston Area Chapter, ASIM when it held its third Annual Buyers Conference at the Shamrock-Hilton Hotel. The theme this year was predominantly "Employee Benefit Plans".

W. H. Clem, Regional Vice President, and insurance manager for Schlumberger Well Surveying Corporation, was chairman of the morning session — and C. K. Fierstone, president of the Houston Area Chapter and manager of insurance and taxes for Sheffield Steel Division, Armco Steel Corporation, addressed the conference at the opening. E. C. Stokely, supervisor of insurance for the Dow Chemical Company (Freeport, Texas) was chairman at the afternoon session.

Industrial relations directors, personnel managers, corporate insurance managers and others responsible for their own company's administration of such plans and insurance attended this large conference.

Nationally known authorities addressed the audience: "Basic Group Insurance, Its Application in Today's Economy", by T. H. Johnson, vice president, Aetna Life Insurance Company, Hartford; "Major Medical Expense Insurance, Current and Future Trends", by A. M. Wilson, assistant vice president of Liberty Mutual Insurance Company, Boston; "The Area Between Occupational and Non-Occupational Disabilities," by Myron Steves, partner, Myron F. Steves & Co., general insurance agency, Houston; and "Fire Insurance Problems in the Atomic Age," by Ambrose Kelley, general counsel, Associated Factory Mutual Fire Insurance Companies, Providence, R. I.

Those who stand for nothing are apt to fall for everything.



PORTRAIT

OF

PROGRESS

The great Suspension Bridge connecting New York and Brooklyn which was completed just a few months after the founding of Chubb & Son. really ushered in the modern era of bridge building. An era that has seen the spanning of our largest rivers—one in which Chubb & Son has played an active part in originating and developing construction bonds and other types of insurance to meet the changing requirements of the nation's great road building and construction industries. The best proof of the flexibility and scope of our facilities lies in our solution of your own immediate problems. Our 74 years' experience is your assurance of getting the maximum on every construction bond dollar expended. We invite you to share this experience.

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RECENT NEW MEMBERS OF ASIM

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Dallas Power & Light Company

DETROIT CHAPTER
National Bank of Detroit

NEW YORK CHAPTER
Climax Molybdenum Company

OREGON CHAPTER
Mail-Well Envelope Company
White Stag Manufacturing Company

SOUTHERN CALIFORNIA CHAPTER
Metropolitan Water District of Southern California

VIRGINIA-CAROLINA CHAPTER
American Enka Corporation
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Miller & Rhoads, Inc.
Noland Company, Inc.
Overnite Transportation Co.
RF & P Railroad Company
Virginia Electric & Power Company

FLORIDA
Ryder System Inc.

Noted Insurance Educator Addresses Cincinnati Chapter, ASIM

Mr. John S. Bickley, Associate Professor of Insurance, College of Commerce and Administration, Ohio State University, addressed the April 4th meeting of the Cincinnati Chapter, ASIM.

Professor Bickley, who is an honorary member of the American Society of Insurance Management and a noted insurance educator compared European insurance practices with those of the United States.

Occupational Hazards: The National Safety Council rates office work as more dangerous than employment in a power house or in the construction industry. The Council claims there are only four occupations more hazardous than office work: mining, lumbering, quarrying, and cement production. Disabling injuries among white-collar employees are 2.6 per million man-hours worked.

—Horizons

Honorary Membership to Robert T. Mehr

Robert T. Mehr, Professor of Economics, College of Commerce and Business Administration, University of Illinois, was presented with an Honorary Membership in the American Society of Insurance Management by Frazier S. Wilson, president of ASIM.

Mr. Wilson, an alumnus of the University of Illinois, made the presentation at a meeting of the Illini Insurance Society Meeting at Champaign on April 10th, at which time he gave a talk on the "Insurance Manager."

Professor Mehr's award is one of many which the American Society of Insurance Management is conferring upon outstanding educators in the field of insurance.

"Workmen's Compensation" Is Topic at Meeting of Southern California Chapter, ASIM

The regular meeting of Southern California Chapter, ASIM, during April was devoted to a talk on "Workmen's Compensation." The speaker was Harry D. Adams, Vice President of Enterprise Insurance Company, specialists in Workmen's Compensation Insurance.

At the same meeting, Herbert E. Smith of Graham Bros. Inc., discussed briefly "Insurance Problems of the Rock and Gravel Business."

Atomic Risks Forum

A Forum on Atomic Risks is to be held at Indianapolis, Indiana, on May 23. Outstanding experts in the field will discuss the insurance problems in connection with the peacetime use of Atomic Energy.

Those on the program are:

Claude M. Rice, former president of New York Chapter, ASIM, and Insurance Manager of The Babcock and Wilcox Company, one of the leading firms of designers and builders of machinery for atomic installations.

William Satterfield, Insurance Manager of the Atomic Commission in Washington, who will describe how the AEC has worked with the insurance industry to provide insurance by private carriers.

Reuel Stratton, Safety Engineer with The Travelers Insurance Company who did much of the pioneering work in obtaining underwriting information and appraisal of the risks involved. In the early days of extreme security, Mr. Stratton was the only insurance man with access to all Atomic installations for the purpose of obtaining this information.

Ambrose B. Kelley, General Counsel for Associated Factory Mutuals, an expert on the legal phases of Property Insurance in connection with Atomic Energy.

James M. Crawford, Senior Underwriter for the Indemnity Insurance Company, the company which wrote the liability insurance on the submarine, "Nautilus."

Each of the five men will speak on his special field and then participate in a panel. Questions and discussions from the floor will be encouraged.

The Forum is to be held at the Columbus Club, Indianapolis, and is a full day conference, starting at 9:10 A.M. It is sponsored by the Indiana Chapter, Society of Chartered Property Casualty Underwriters, with assistance from the C.P.C.U. chapters in the Midwest and Indiana University, Bloomington, Indiana. The advance registration fee is $10.00 which includes lunch; registration fee on arrival, $12.50.

Registration should be sent to Mark Gray, Peoples Bank Building, Indianapolis. Further information may be obtained from Mr. Gray or from the Co-chairman of the Forum, John D. Phelan, Vice President, American States Insurance Company, 546 North Meridan Street, Indianapolis, or William S. Mortimer, Insurance Audit and Inspection Company, Hume - Mansur Building, Indianapolis, Indiana.

Mid-West Buyers, ASIM Meet

The April meeting of Mid-West Insurance Buyers Association, Inc. was devoted to "Problems in Underwriting Dishonesty and Crime Coverages."

The speaker was Mr. John E. McCrehan, Assistant Manager in charge of underwriting Surety and Bond Coverages, Chicago Office of Indemnity Insurance Company of North America.

Mr. McCrehan who has had years of experience in underwriting surety and bond risks, outlined the information needed by an underwriter; the effect the various items of information have on the evaluation of the risk and the resulting premium cost.

The meeting was open to members and their guests, brokers and insurance company representatives.

Boiler and Machinery Claims

by

J. Edward Middleton, Chief Engineer
Boiler & Machinery Division,
American Guarantee & Liability Insurance Company

(a talk presented at a meeting of the Cincinnati Chapter, ASIM)

The handling of Boiler and Machinery claims, because of their technical characteristics, logically becomes a function of the engineering department of an insurance company. Because of this, a considerable amount of my time, in the past few years, has been devoted to negotiating claim settlements; and I have had many occasions to sit at the desks of men handling responsibilities such as yours and "settling" or "adjusting" claims. These occasions have always been interesting, and I can say very honestly that almost without exception they have been pleasant experiences. I have acquired a very high regard for insurance managers and those others who have represented their companies' interests in claim discussions. But while I have had experience with a large number of insurance company representatives in settling losses, and there is a chance that we may have differing viewpoints concerning the adjustments of losses. That is the basis for my comments today — the matter of viewpoints.

Adjusting Claims

The adjusting of claims is really a matter of adjusting viewpoints rather than adjusting dollars. If the viewpoints can be brought into coincidence, the amount of a claim is actually a matter of arithmetic.

A meeting for the purpose of adjusting a loss usually starts with the assured and the insurance company representatives seated on opposite sides of a table, and sometimes with viewpoints as opposed as their positions at the table. A successful finish to such a meeting is one which ends with a complete understanding of the principles involved, an agreement on the facts, and with viewpoints that are in accord. There is a lot more satisfaction in leaving a conference with the knowledge that an agreement on the principles has been reached than there is in merely bringing about the reduction of a claim. As a matter of fact, these conferences sometimes result in increasing the amount of an assured's claim, and this is entirely proper. A misunderstanding of the coverage provided by an insurance policy can easily result in a claim being undervalued, as well as overvalued.

Every claim involves three basic essentials. First, there is the sequence of events which resulted in an accident and the circumstances surrounding the occurrence. Second, there is the matter of the costs involved; and third, there is a policy contract. The great majority of claim negotiations involve only the first two: An agreement on the cause and extent of an accident, and a sorting of the expenses which followed, to segregate those costs directly resulting from the accident from the cost of maintenance work which is frequently conducted while repairs are under way.

There are, of course, some cases where it is necessary to adjust viewpoints regarding the policy contract. Considering the difficulties which confront the authors of insurance policies dealing with complex systems involving electrical and mechanical devices, boilers and pressure vessels, the policies are very well written. The principal areas where disagreement most frequently arises are those which involve accident definitions, depreciation, use and occupancy losses, and sometimes overlapping coverage between different kinds of insurance.

Accident Definitions

Disagreements regarding accident definitions are generally quite easy to resolve, on the basis of the

(More on page 35)

Presenting . . . "Dr. Teepee"

A few words about Dr. Teepee, the conductor of this column. Dr. Teepee contacted us claiming an expert knowledge on many subjects including insurance. Efforts to check his qualifications brought to light many interesting aspects, not particularly relating to insurance.

We have decided to permit him to answer questions presented, with the explicit understanding and warning that this publication assumes no responsibility for their accuracy or authenticity.

We have serious doubts as to whether this column will contribute anything to professional enlightenment of our members, but it may serve to fulfill another purpose. Please let us have your opinions about the continuation of this "service."

Question:

I am 24 years old having spent nearly two years in the insurance activities of the company for whom I work. In addition to my experience, I spent a major portion of my last two years at college studying various phases of insurance. I think from the foregoing, most people would agree I am well qualified for my work.

It is my observation that my boss and our brokers have completely antiquated ideas about our insurance program and the way it should be handled. Don't you think I am justified in "taking the bull by the horns," and going ahead independently, changing our program as I see fit? Also selecting a new broker who is in tune with my progressive thinking.

Answer:

While not wishing to appear as challenging your forthright testimony regarding your qualifications, I do in all humility have one suggestion for furthering your insurance knowledge. If you have not already done so, get fully acquainted with Unemployment Insurance in your state. I have a feeling this will be of value in the near future.

* * *

Question:

Please explain the principle of Co-insurance in simple and concise terms.

Answer:

Co-insurance is a device whereby the insurance company may recover at time of loss certain premium discounts competition forced them to give when policy was written.

Oregon Chapter Devotes Meeting to "Marine Insurance"

The regular monthly meeting of Oregon Chapter, ASIM, in April was devoted to a talk on "Marine Insurance" by William W. Jewett, assistant manager of the Marine and Lloyd's Underwriting Department of Jewett, Barton, Leavy & Kern.

Mr. Jewett, in addition to being a partner of the firm, is also Lloyd's Agent for the Adjustment of Marine Losses for the State of Oregon.

Frank S. Glendening Addresses New York Chapter, ASIM

"Current Business Interruption Problems and Comments on the Latest Changes in the Gross Earnings Manufacturing Form," was the subject of a talk by Frank S. Glendening, CPA, at a luncheon meeting of the New York Chapter, ASIM, on April 26th at the Hotel Statler.

Mr. Glendening was graduated from Wharton School, University of Pennsylvania in 1922 and became a Certified Public Accountant in 1952. He served in the United States Naval Reserve during World War II and attained the rank of Captain.

He has served both underwriters and insureds in the accounting problems incident to loss adjustments and has also acted as advisor in setting up Business Interruption values for insurance managers for more than 25 years.

He is the author of many articles on Special Investigations and on Business Interruption Insurance.

He is a partner in the firm of Frank S. Glendening & Company, Certified Public Accountants, Philadelphia, Pennsylvania.

It is given to no man to have uninterrupted success. But it is given to every man to work on with courage and hope at the main job, the job that never ends—the job of finding, and of becoming, his best self.

—Herman Wouk

MARINE INSURANCE

by

Edward C. Holden, Jr.

President, United States P. & I. Agency, Inc.

Vice President, Marine Office of America

The Marine Insurance Policy and its Conditions

Contrary to the practice in fire insurance, where a standard statutory policy is in general use, no standard form of policy is required by law for marine insurance contracts. Each insurance company uses its own form of contract, and while the differences between them in this respect are not great, yet they are sufficient to require thorough familiarity with the policy forms of different underwriters on the part of agents, brokers and their applicants for insurance.

Special Agreements in the form of clauses or endorsements are now well standardized giving to the Assured the advantage of the certainty that results from uniformity of phraseology and usage.

The policies of marine insurance issued by American companies have received judicial interpretation through a long period of years and have successfully withstood the test of custom, usage, practice and service for the manifest benefit of the Assured.

Modern Concept of Insurance

The modern concept of Insurance, be it Marine or otherwise, is not merely to collect premiums and pay losses, but to help organize things in such a manner that losses are prevented. In the field of Marine Insurance much has been done to make the ships themselves and navigation safer, but there remains a vast field for constructive work in respect to the packaging of goods for export.

We still need to pay a lot more attention to the problem of packing. We do not mean to infer that all shipments for overseas are improperly packed. By no means. Some of our biggest exporters have adopted the highest possible standards. Some of our cases compare favorably with the best of European containers. Many of our shippers, however, have a lot of work to do if they want to minimize their losses, cut their insurance costs and have satisfied consignees.

To ship goods overseas in domestic type cartons, such as your groceries are delivered in, is sheer folly.

Research experiments and tests in the field of export packing are proving to be of great value.

Proper adequate packing will tend to eliminate many damage claims, breakages, theft and pilferage. Don't forget that the record of your overseas insurance tends to fix the Insurance premiums you pay.

Packing should be the least expensive that will get the goods to their destination in sound condition. This is all predicated on the assumption that the packages receive reasonable handling and stowage.

Marine, remember, is a non-tariff type of Insurance, but even so, the cost of all Insurance eventually fluctuates with the loss experience.

Outline of Ocean Marine Insurance

The Principal divisions of ocean marine insurance are:

1. Cargo Insurance.
   (a) Export
   (b) Import
   (c) Intercoastal and Cross-Voyages.
2. Freight Insurance.
3. Port Risk Policy.
4. Builders' Risk Policy.
5. Hull & Machinery Policy.
6. Disbursements Policy.
7. Protection & Indemnity Shipowner's Liability Insurance.

Each of these divisions of marine insurance would require many pages to describe the types of coverage involved.

CARGO INSURANCE, briefly, is that type of insurance which indemnifies the owners of the cargo shipped aboard vessels for loss or damage to the merchandise resulting from perils insured against.

FREIGHT INSURANCE — freight, speaking marine wise, is the monies paid to the shipowner by the shipper or consignee for the carriage of their goods. This freight generally is insured by any of the three parties as their interest may be at stake.

PORT RISK POLICY covers a vessel during its stay at a named port against certain named risks and perils. The vessel may load cargo and prepare for a voyage. The policy terminates when the vessel, having cleared and being in all respects ready for sea, commences her outward voyage even though she is still within the confines of the named port.

The policy does not cover war risks, strikes or riots.

BUILDERS' RISK INSURANCE covers all risks, including fire, while a vessel is under construction and/or fitting out. It also covers risks of launching and of trial trips.

(More on page 20)

Marine Insurance

(From page 18)

HULL AND MACHINERY POLICY covers the hull, tackle, apparel, passenger fittings, equipment, stores, provisions for the crew, boats and other furniture at a certain value. Also boilers, machinery, refrigerating machinery and insulation and everything connected therewith at a certain value. If the policy is a Time Policy, a reasonable quantity of bunkers is covered.

DISBURSEMENTS POLICY covers the owner for loss of time, anticipated earnings, and disbursements caused by the happening of certain named risks and perils.

PROTECTION AND INDEMNITY INSURANCE—Shipowner's Liability Insurance — is designed principally to cover the shipowner's legal liability to members of the crew, to cargo, and to third parties.

Open Policies

The greater bulk of cargo insurance is covered under Marine Open Cargo Policies. The "Open Policy," being continuous, covers the Assured for all shipments (as defined in the policy), and declarations can be made either before or after shipment as found convenient by the Assured. If a loss should occur before it is actually declared, it is nevertheless covered if it is due to a peril insured against.

Open policies give automatic protection and usually give this protection at lower rates than given by Special Cargo policies.

Export Shipments

In practically all export shipments, the shipper reuires a separate certificate for each shipment to complete his documents as required by the banks. Even if not required for banking purposes, it is desirable that a separate certificate should be sent to the consignee in order that claims can be promptly and efficiently dealt with at destination.

Import Shipments

If only occasional import shipments are to be insured, special risk certificates or declarations will be issued. On the other hand, if numerous shipments are to be insured, an "Open Policy" can be issued and monthly declaration sent to Underwriters giving details of shipments.

In the case of import declarations, which are usually made only once a month, it happens that declarations frequently reach Underwriters after the shipments are enroute, and in some instances after the shipments have arrived at destination and the risk is over. Under the Open Policy this coverage, as mentioned above, is automatic despite the fact that the risk is already over.

Should the Assured inadvertently omit to declare a shipment, the usual Open Policy protects him so long as he advises the Underwriters immediately after the omission is discovered and premium paid accordingly. (There is a very great moral hazard in giving protection under Open Policies.)

Inter-Coastal Shipments

If inter-coastal shipments are numerous, an Open Policy will be required, and declarations may be made at the end of each month on the required form.

If a shipper only makes occasional shipments, special risk certificates or policies, will be issued as required.

Basic "Ocean Marine Cargo Policy"

An Analysis of the basic "Ocean Marine Cargo Policy," to which forms and endorsements are attached to cover either Import or Export shipments under an Open Policy, shows the Policy covers Named Insured (termed "Assured" throughout policy) against Loss of or Damage to lawful goods as described in the policy. The coverage attaches from the time the goods leave the warehouse at the point of shipment until it reaches the warehouse at final destination by direct route or otherwise.

Today the marine markets are offering broader coverage than ever before. Most commodities are now insured against all risks from any external cause. Some special commodities are insured against limited perils through long custom and usage in a given trade.

In Event of Loss

Assured is required, personally or through his representatives, to safeguard or recover goods.

Acts of Assured or Company in recovering, saving and preserving property shall not prejudice the insurance, or be considered a waiver or abandonment.

Insurance Company bears expense of saving property in proportion to the insurance carried.

Other Insurance: Where other insurance is carried, dated prior to this insurance, this insurance pays only the amount such prior insurance is deficient toward covering the loss, and premium shall be returned *to Assured by Company for amount of such prior insurance.

Where other insurance is carried, dated subsequent to this insurance, this insurance cannot claim contribution from such subsequent insurance.

Where there is other insurance of the same date as this insurance, loss is prorated.

Loss is payable as soon as practicable after all necessary documents have been presented, and adjustment has been accepted by the assured.

Loss is paid in funds current in the United States or as ordered.

General Average is based on equity and is the apportionment of loss. Voluntarily, intentionally or otherwise incurred to prevent greater loss, among all benefited.

No return of premium if insured goods are lost by perils not covered.

Proofs of loss and bills of expense must be approved by agent of Company or by a correspondent of the Board of Underwriters of New York or other authorized agents.

Such agent or correspondent must be represented at all surveys.

Payment is limited to the difference between the full amount of loss and that collectible from a carrier or bailee, but Company will

(More on page 26)

CHAPTER DIRECTORY

AMERICAN SOCIETY OF INSURANCE MANAGEMENT

CENTRAL ILLINOIS INSURANCE MANAGERS ASSOCIATION

Meetings—2nd Thursday of each month, Bloomington, Illinois. Dinner, 6:30 P.M.
President—F. G. Sutherland, Illinois Power Company, Decatur
Vice-Pres.—D. W. Covey, LeTourneau Westinghouse, Peoria
Secy.-Treas.—Robert E. Lesher, Funk Bros. Seed Co., P.O. Box 911, Bloomington, Ill.

CINCINNATI CHAPTER

Meetings—1st Wednesday each month, except July and August. Luncheon, 12:00 Noon.
President—R. S. Hayden, Armco Steel Corporation, Middletown
Vice-Pres.—T. J. McAdams, Kroger Company, Cincinnati
Treasurer—T. Fisher, Fifth Third Union Trust Co., Cincinnati
Asst. Treas.—S. B. Adamson, U. S. Printing & Lithograph Co., Norwood
Secretary—L. R. Everhard, Trailmobile Inc., 31st & Robertson Aves., Cincinnati 9, Ohio

DALLAS-FORT WORTH CHAPTER

Meetings—3rd Thursday each month. Luncheon, 12:00 Noon
President—W. F. Shrimpton, Temco Aircraft Corp., Dallas
Vice-Pres.—D. C. Morris, Chance-Vought Aircraft Inc., Dallas
Treasurer—T. T. Redington, Jr., Dresser Industries, Inc., Dallas
Secretary—Miss Annette M. Johnson, The Murray Company, 3200 Canton Street, Dallas, Texas

DELAWARE VALLEY CHAPTER

Meetings—3rd Monday each month. Dinner, 6:30 P.M.
President—Frank W. Pennartz, Food Fair Stores, Inc., Philadelphia
Vice-Pres.—F. Walter Norcross, The Budd Company, Philadelphia
Treasurer—Samuel B. Wainer, Penn Fruit Co., Philadelphia
Asst. Secy.—Charles R. Garton, Atlantic City Electric Company, Atlantic City, N. J.
Asst. Treas.—David Day, R. M. Hollingshead Corporation, Camden, N. J.
Secretary—Harry R. Sage, Mutual Rendering Company, Inc., Ontario St. & Delaware River, Philadelphia 34, Penna.

INSURANCE BUYERS ASSOCIATION OF DETROIT

Meetings—3rd Wednesday each month. Dinner, 6:00 P.M.
President—M. R. DeLaurier, the Detroit Edison Company, Detroit
Vice-Pres.—R. H. French, Michigan Wisconsin Pipe Line Company, Detroit
Treasurer—F. L. Kiernan, Michigan Consolidated Gas Co., Detroit
Secretary—W. A. Johnston, Chrysler Corporation, 341 Massachusetts Ave., Detroit, Michigan

HOUSTON AREA CHAPTER

Meetings—2nd Wednesday each month. Luncheon, 11:30 A.M.
President—C. K. Fierstone, Sheffield Steel Division, Armco Steel Corporation, Houston
Vice-Pres.—R. T. Effinger, Jr., Reed Roller Bit Company, Houston
Treasurer—J. W. Marcontell, Schlumberger Well Surveying Corp., Houston
Secretary—W. A. Holcomb, Jr., Transcontinental Gas Pipe Line Corp., P.O. Box 296, Houston, Texas

MARYLAND CHAPTER

Meetings—3rd Thursday each month at 6:30 P.M. Sept.-June.
President—T. V. Murphy, Maryland Shipbuilding & Drydock Company, Baltimore
Vice-Pres.—Robert B. Wiltshire, The Glenn L. Martin Company, Baltimore
Secy.-Treas.—Robert Colbert, National Brewing Company, 1027 South Conklin St., Baltimore 24, Maryland

MID-WEST INSURANCE BUYERS ASSOCIATION, INC.

Meetings—3rd Thursday of each month. September through May. Dinner, 6:00 P.M.
President—C. Henry Austin, Standard Oil Company (Indiana), Chicago
Vice-Pres.—Casimir Z. Greenley, International Minerals & Chemicals Corp., Chicago
Treasurer—G. J. Burns, Continental Ill. National Bank & Trust, Chicago
Secretary—Ann Auerbach, Goldblatt Bros., Inc., 333 South State St., Chicago 4, Illinois

MINNESOTA CHAPTER

Meetings—4th Tuesday of each month. Dinner, 6:30 P.M.
President—H. V. Noland, M. F. Patterson Dental Supply Co. of Minn., St. Paul
Vice-Pres.—K. N. Cervin, Minneapolis-Moline Company, Minneapolis
Administrative Secy.—Lillian K. Polzin, 722 Second Ave. South, Minneapolis 2, Minnesota
Secy.-Treas.—Paul T. Mucke, Gamble-Skogmo, Inc., 15 North 8th St., Minneapolis 3, Minn.

NEW YORK CHAPTER

Meetings—4th Thursday each month, except July and August. Luncheon, 12:20 P.M.
President—Raymond Cox, Merritt-Chapman & Scott, New York, N. Y.
1st Vice-Pres.—W. D. McGuiness, The Port of New York Authority, New York.
2nd Vice-Pres.—H. S. Goodwin, McKesson & Robbins, Inc., New York
Treasurer—E. W. Pickel, Foster-Wheeler Corporation, New York
Secretary—Frank Hornby, Jr., Ebasco Services Inc., 2 Rector Street, New York 6, N. Y.

NORTHERN CALIFORNIA CHAPTER

Meetings—3rd Thursday of each month. Dinner, 6:00 P.M.
President—E. C. Lasater, Rosenberg Bros. & Co., Inc., San Francisco
Vice-Pres.—J. P. Holstein, California Packing Corp., San Francisco
Treasurer—R. A. Westran, Kaiser Companies, Oakland
Secretary—H. L. Hilleary, Standard Oil Company, 225 Bush Street, San Francisco, Calif.

OREGON CHAPTER

Meetings—1st Wednesday of each month. Dinner, 6:00 P.M.
President—J. Arthur McNett, Jantzen Knitting Mills, Inc., Portland, Oregon
Vice-Pres.—Doyle Pigg, Lipman Wolfe & Co., Portland, Oregon
Secy.-Treas.—John Charters, Consolidated Freightways, Inc., P.O. Box 3618, Portland 8, Oregon

SOUTHERN CALIFORNIA CHAPTER

Meetings—3rd Wednesday of each month. Dinner, 6:30 P.M.
President—Harvey Humphrey, Title Insurance & Trust Company, Los Angeles
Vice-Pres.—Erwin C. Jones, Southern California Edison Company, Los Angeles
Treasurer—Mrs. Anna A. Williams, California Bank, Los Angeles
Secretary—Earl Thompson, Security-First National Bank of Los Angeles, 561 South Spring Street, Los Angeles, Calif.

VIRGINIA-CAROLINA CHAPTER

Meetings—4th Tuesday each month except December (Check with Secretary for time and place).
President—B. M. Hulcher, Southern States Cooperative, Richmond, Va.
1st Vice-Pres.—Paul Stickler, Reynolds Metal Company, Richmond, Va.
2nd Vice-Pres.—A. Grant Whitney, Belk Stores, Inc., Charlotte, N. C.
Secy.-Treas.—Lydia S. Hammond, Miller & Rhoads, Inc., Richmond, Virginia

American Society Of Insurance Management, Inc.

Roster Of Member Companies by Chapters

CENTRAL ILLINOIS

Black & Company
Caterpillar Tractor Company
Decatur Herald & Review
Funk Brothers Seed Company
Illinois Power Company
Illinois Wesleyan University
S. D. Jarvis Company
Keystone Steel & Wire Company
LeTourneau-Westinghouse Company
Mississippi Valley Structural Steel Co.
Mueller Company
Princess Peggy, Inc.
J. L. Simmons Company, Inc.
A. E. Staley Manufacturing Co.
Steak & Shake

CINCINNATI

American Laundry Machinery Co.
Armco Steel Corporation
Bardes Corporation
Burger Brewing Company
The Philip Carey Mfg. Co.
Cincinnati Gas & Electric Co.
Cincinnati & Suburban Bell Telephone Co.
The Drackett Company
The Duriron Company, Inc.
The Eagle-Picher Company
Emery Industries, Inc.
Thomas Emery's Sons, Inc.
Federated Department Stores, Inc.
The Fifth Third Union Trust Company
The Formica Company
The Freiberg Mahogany Company
The Gardner Board & Carton Co.
The Girdler Company
The Globe Wernicke Company
Robert Gould Company
The Gruen Watch Company
The Andrew Jergens Company
The E. Kahn's Sons Company
The Kroger Company
The Lunkenheimer Company
Frank Messer & Sons, Inc.
The Metal Specialty Company
The H. H. Meyer Packing Company
The Mosler Safe Company
The Nivison Weiskopf Company
The Ohio River Company
The Procter & Gamble Company
The Provident Savings Bank & Trust Co.
Queen City Chevrolet Company
The Railway Supply & Mfg. Company
The Richardson-Taylor Globe Corp.
The Sorg Paper Co.
Toms River-Cincinnati Chemical Corp.
Trailmobile Inc.
United States Shoe Corporation
The U. S. Printing & Lithograph Co.
The George Wiedemann Brewing Co.

DALLAS-FT. WORTH

The British-American Oil Producing Company
Chance Vought Aircraft, Inc.
Coco-Cola Bottling Company
Collins Radio Co. (Texas Division)
Dallas Power & Light Co.
Dresser Industries, Inc.
The Frito Company
General American Oil Co. of Texas
Gifford-Hill & Co., Inc.
Intercontinental Mfg. Company, Inc.
Lone Star Gas Company
The Murray Company of Texas
Olmsted-Kirk Company
Dr. Pepper Company
Sun Oil Company
Temco Aircraft Corporation
Texas Automatic Sprinkler Corp.
The Times Herald Printing Company

DELAWARE VALLEY

American Viscose Corp.
Atlantic City Electric Company
The Atlantic Refining Company
The Budd Company
Best Markets, Inc.
Catalytic Construction Company
Cooks', Inc.
E. I. duPont de Nemours & Co., Inc.
Fidelity Mutual Life Insurance Co.
Food Fair Stores, Inc.
Giant Food Shopping Centre, Inc.
R. M. Hollingshead Corporation
Keasbey & Mattison Company
Kaiser Metal Products, Inc.
Mathiasen's Tanker Industries, Inc.
Mutual Rendering Company, Inc.
Penn Fruit Company
Penn Mutual Life Insurance Co.
Pennsylvania Salt Mfg. Co.
Philadelphia Electric Company
The Philadelphia Saving Fund Society
Philco Corp.
Publicker Industries
Radio Corporation of America
Scott Paper Company
S.K.F. Industries, Inc.
Smith, Kline & French Laboratories
United Engineers & Constructors, Inc.
The United Gas Improvement Company

DETROIT

American Blower Corporation
American Motors Corporation
Argus Cameras, Inc.
Bower Roller Bearing Division of Federal-Mogul Bower Bearings, Inc.
Bull Dog Electric Products Company
Burroughs Corporation
Chrysler Corporation
Darin & Armstrong, Inc.
Davidson Brothers
The Detroit Edison Company
Detroit Steel Corporation
Detroit Steel Products Company
Ex-Cell-O Corporation
Ford Motor Company
Freuhauf Trailer Company
Gar Wood Industries, Inc.
The Gear Grinding Machine Company
Goddard & Goddard Company
The J. L. Hudson Company
Hygrade Food Products Corporation
F. L. Jacobs Company
The Jam Handy Organization, Inc.
S. S. Kresge Company
McCord Corporation
Michigan Consolidated Gas Company
Michigan Wisconsin Pipe Line Co.
Micromatic Hone Corporation
The Murray Corporation of America
National Bank of Detroit
Parke Davis & Company
Peninsular Metal Products Corp.
Penn-Michigan Mfg. Corporation
Pfeiffer Brewing Company
The Udylite Corporation
The Upjohn Company
Woodall Industries, Inc.

HOUSTON

Ada Oil Company
Anderson Clayton & Company
Baroid Sales Division of National Lead Co.
Charles B. Boone
Columbia Drilling Company
Converted Rice, Inc.
The Dow Chemical Co.
Drilling & Exploration Co. Inc.
Eastern States Petroleum Co. Inc.
Foley's
Halliburton Oil Well Cementing Co.
Homco
Houston Oil Company of Texas
Jefferson Lake Sulphur Company
Perforating Guns Atlas Corp.
Quintana Petroleum Corporation
Reed Roller Bit Company
Schlumberger Well Surveying Corp.
Sheffield Steel Division of Armco Steel Corporation
Stewart & Stevenson Services, Inc.
Tennessee Gas Transmission Co.
Transcontinental Gas Pipe Line Corp.
Tuboscope Company
Win Hawkins Drilling Company

MARYLAND

Army & Air Force Exchange Service
The Arundel Corporation
Baltimore Contractors, Inc.
Cafritz Construction Co.
W. T. Cowan, Inc.
Crown Central Petroleum Corp.
Crown Cork & Seal Company
The Davison Chemical Corporation
Greenspring Dairy, Inc.
L. Greif & Bros., Inc.
Gunther Brewing Co., Inc.
The Hecht Company
Insurance Buyers' Council
The Glenn L. Martin Company
Maryland Shipbuilding & Drydock Co.
McCormick & Co., Inc.
Merchants Terminal Corp.
The National Brewing Co.
Office of Naval Material Department of the Navy
Olin Mathieson Chemical Corp.
Rice's Bakery
Safe Deposit & Trust Co. of Baltimore

MID-WEST

Aldens Inc.
Allis-Chalmers Manufacturing Co.
American Bakeries Company
American Marietta Company
Automatic Electric Company
Borg-Warner Corporation
Bowman Dairy Company
Brunswick-Balke-Collender Co.
Bureau of Safety
Butler Brothers
A. M. Castle & Company
The Celotex Corporation
City Products Corporation
Collins Radio Company
Continental Ill. Nat'l Bank & Trust Co. of Chicago
Container Corporation of America
Crane Company
Cuneo Press, Inc.
Curtiss Candy Co.
R. R. Donnelley & Sons Co.
The Reuben H. Donnelley Corp.

Fairbanks, Morse & Company
Lloyd A. Frey Roofing Company
Goldblatt Bros., Inc.
Edward Hines Lumber Company
Inland Steel Company
International Cellucotton Products Co.
International Minerals & Chemical Corp.
Jewel Tea Co., Inc.
S. C. Johnson & Son, Inc.
Link-Belt Company
Liquid Carbonic Corp.
Magnaflux Corporation
Marshall Field & Company
The Meyercord Co.
Montgomery Ward & Company
Motorola, Inc.
National Standard Company
National Tea Company
Natural Gas Pipeline of America
Pabst Brewing Company
The Peoples Gas Light & Coke Co.
Pure Oil Company
Quaker Oats Company
A. O. Smith Corporation
Standard Oil Co. (Indiana)
Charles A. Stevens & Company
Stewart-Warner Corporation
The Tribune Company
United Air Lines, Inc.
United States Gypsum Company
Victor Chemical Works
Walgreen Drug Stores
The Willett Company
Wisconsin Electric Power Co.
Wisconsin Public Service Corporation

MINNESOTA

Anderson Corporation
Cargill, Incorporated
Coca-Cola Bottling Co. of Minnesota
The Creamette Co.
Curtis 1000, Inc.
Economics Laboratory, Inc.
Fairmont Canning Company
Faribault Woolen Mill Company
Federal Cartridge Corporation
Fitger Brewing Company
Fullerton Lumber Company
Gamble-Skogmo, Inc.
M. A. Gedney Company
General Mills, Inc.
Green Giant Company
Theo. Hamm Brewing Company
Geo. A. Hormel & Co.
Industrial Aggregate Co.
International Milling Company
Landers-Norblom-Christenson Co.
Land O'Lakes Creameries, Inc.
Mayo Clinic
McCabe Company
Maney Bros. Mill & Elevator Co.
Minneapolis Brewing Company
Minneapolis-Honeywell Regulator Co.
Minneapolis-Moline Company
Minneapolis Star & Tribune Company
Minnesota Mining & Manufacturing Co.
Minnesota & Ontario Paper Co.
Munsingwear, Inc.
Nash-Finch Company
The B. F. Nelson Mfg. Co.
Northern Ordnance Inc.
Northern States Power Company
Northrup-King & Company
Northwest Airlines, Inc.
Owatonna Canning Company
Owatonna Tool Co.
Page & Hill Company
M. F. Patterson Dental Supply Co. of Minnesota
F. H. Peavey & Company
Pillsbury Mills, Inc.
Queen Stove Works, Inc.
Rayette, Inc.
Red Owl Stores, Inc.
Rochester Dairy Cooperative
Russell-Miller Milling Co.
St. Paul Terminal Warehouse Co.
Scott-Atwater Mfg. Company
J. L. Shiely Company
Super Valu Stores, Inc.
Universal Milking Machine Company
The Webb Publishing Co.
Winston Bros. Company

NEW YORK

ACF Industries, Inc.
Allied Stores Corporation
B. Altman & Co.
American Airlines
American Brake Shoe Company
American Broadcasting-Paramount Theatres, Inc.
American Bank Note Co.
American Can Company
American Chicle Company
American Cyanamid Company
American District Telegraph Co., Inc.
American Gas & Electric Service Co.
American Home Products Corp.
American Machine & Foundry Co.
American Management Association
American News Co., Inc.
The American Oil Company
Anaconda Company
Anaconda Wire & Cable Company
Arabian American Oil Company
Associated Dry Goods Corp.
The Babcock & Wilcox Company
Belk Stores
Bell Telephone Laboratories
The Best Foods, Inc.
Bigelow-Sanford Carpet Co., Inc.
Blades & Macaulay
Sidney Blumenthal & Co., Inc.
The Borden Company
Bristol Myers Company
Burlington Industries, Inc.
Canada Dry Ginger Ale Co.
John J. Casale, Inc.
Celanese Corporation of America
The Chase Manhattan Bank
Cities Service Petroleum, Inc.
Chilean Nitrate Sales Corporation
Climax Molybdenum Company
Coastal Oil Company
Coats & Clark's Sales Corporation
Colgate-Palmolive-Peet Company
Columbian Carbon Company
Combustion Engineering, Inc.
Commercial Solvents Corporation
Commonwealth Services, Inc.
Congoleum-Nairn, Inc.
Consolidated Cigar Corp.
Continental Baking Company
Continental Can Company, Inc.
Continental Grain Company
Continental Paper Company
Corporate Advisors, Inc.
Curtiss-Wright Corporation
Daystrom, Inc.
The Diamond Match Company
The Dime Savings Bank of Brooklyn
Dow, Jones & Co., Inc.
Ebasco Services Incorporated
Thomas A. Edison, Inc.
Joseph Dean Edwards
El Paso Natural Gas Company
Electrolux Corporation
Esso Standard Oil Company
Ethyl Corporation
Federal Paper Board Co., Inc.
The First National City Bank of New York
The Firth Carpet Company
Foster-Wheeler Corp
Robert Gair Company, Inc.
Geigy Chemical Corporation
General Aniline & Film Corporation
General Baking Company
General Electric Company
General Foods Corp.
Gibbs & Hill, Inc.
W. R. Grace & Company
Great Lakes Carbon Corporation
Guaranty Trust Company
S. Gumpert Co., Inc.
Hawley & Hoops
Hewitt-Robins, Inc.
Hudson Pulp & Paper Corp.
Imperial Paper & Color Corp.
Interchemical Corp.
Johns-Manville Corp.
Johnson & Johnson
A. & M. Karagheusian, Inc.
Kearfott Company, Inc.
Kennecott Copper Corporation
H. Kohnstamm & Co., Inc.
Lerner Stores Corp.
Lever Brothers Co.
Liggett & Myers Tobacco Co.
Lily-Tulip Cup Corp.
Thomas J. Lipton, Inc.
R. H. Macy & Co., Inc.
McKesson & Robbins, Incorporated
Manufacturers Trust Co.
Merritt-Chapman & Scott Corp.
Metal & Thermit Corp.
Monsanto Chemical Company
Philip Morris Incorporated
Muzak Corporation
National Biscuit Company
National Container Corporation
National Distillers Products Corporation
National Starch Products, Inc.
The Nestle Company
J. J. Newberry Company
New York City Housing Authority
New York Herald-Tribune
Olin Mathieson Chemical Corporation
Otis Elevator Company
Pan American World Airways, Inc.
Panaminas Incorporated
S. B. Penick & Co.
J. C. Penney & Co.
Chas. Pfizer & Co., Inc.
Pitney-Bowes, Inc.
The Port of New York Authority
Refined Syrups & Sugars, Inc.
Reliance Manufacturing Company
Republic Aviation Corporation
Research Cottrell, Inc.
Riegel Paper Corp.
Seagram-Distillers Corp.
Shell Oil Corp.
Alexander Smith, Inc.
Sperry Rand Corporation
Sperry Gyroscope Co.
Standard Oil Company (New Jersey)
J. P. Stevens & Co., Inc.
Sunshine Biscuit Company
Sylvania Electric Products
The Texas Company
Tide Water Associated Oil Co.
Union Bag & Paper Co.
United Aircraft Corp.
United Merchants & Manufacturers, Inc.
United Parcel Service
U. S. Industries, Inc.
United States Plywood Corporation
Universal Pictures Co., Inc.
West Disinfecting Company
Western Electric Company
West Virginia Pulp & Paper Company
Witco Chemical Company
Worthington Corporation

NORTHERN CALIFORNIA

American Trust Company
Guy F. Atkinson Company
Avoset Company
Bank of America NT & SA
Bank of California, N.A.
Bechtel Corporation
California & Hawaiian Sugar Refining Corp. Ltd.
California Packing Corporation
California Self-Insurers Association
California State Dental Association

Coast Service Company
Consolidated Chemical Industries, Inc.
The Crocker-Anglo National Bank
Crown Zellerbach Corp.
Cutter Laboratories
Department of Finance — State of California
Dinwiddie Construction Company
The Robert Dollar Company
The Emporium Capwell Company
Fibreboard Products, Inc.
The First Western Bank & Trust Company
Honolulu Oil Corporation
Kaiser Companies
Kern County Land Co.
Lando Products, Inc.
Lenkurt Electric Company, Inc.
Leslie Salt Company
Long Stores
Matson Navigation Company
Mund, McLaurin & Company
Pabco Products, Inc.
Pacific Gas & Electric Company
The Pacific Telephone & Telegraph Company
Pacific Transport Lines, Inc.
Rheem Manufacturing Company
Roos Bros., Inc.
Rosenberg Bros. & Co., Inc.
Rudiger-Lang Company
Safeway Stores, Inc.
Sonora Products Company
Southern Pacific Company
Spreckels Sugar Company
Standard Oil Company of California
Swinerton & Walberg Company
Tidewater Associated Oil Company
Transocean Air Lines
The Union Ice Company
Union Lumber Company
United Air Lines, Inc.
University of California
Utah Construction Company
Wells Fargo Bank
Wilbur-Ellis Company

OREGON

The Bank of California, N.A.
Columbia River Packers Association, Inc.
Consolidated Freightways, Inc.
Dant & Russell, Inc.
The First National Bank of Portland
Harbor Plywood Corporation
HYster Company
Industrial Air Products Co.
Jantzen Knitting Mills, Inc.
Lipman Wolfe & Company
Mail-Well Envelope Co.
Fred Meyer, Inc.
Oregon Pulp & Paper Company
Roberts Brothers
The United States National Bank
White Stag Manufacturing Co.
Willamette Iron & Steel Company

SOUTHERN CALIFORNIA

American Potash & Chemical Corp.
Baker Oil Tools, Inc.
Byron Jackson Company
California Bank
Carnation Company
Consolidated Western Steel Division of U. S. Steel Corporation
Douglas Aircraft Company, Inc.
Emsco Manufacturing Company
Farmers & Merchants National Bank
The Flintkote Company (Pioneer Division)
The Fluor Corporation, Ltd.
Forest Lawn Company
Frawley Corporation
Garett & Company, Inc.
Convair — A Division of General Dynamics Corporation
Gladding, McBean & Company
Graham Brothers, Inc.
Griffith Company
Hammond Lumber Company
The Alfred Hart Distilleries, Inc.
Hughes Aircraft Company
Kaiser Steel Corporation
Lane-Wells Company
Lockheed Aircraft Corp.
North American Aviation, Inc.
Northrop Aircraft, Inc.
The McCulloch Motors Corp.
Marquardt Aircraft Co.
The May Department Stores Co.
Metropolitan Water District of Southern California
Mission Appliance Corp.
Pacific Airmotive Corporation
Pacific Coast Borax Co. — Division of Borax Consolidated, Ltd.
The Ramo-Woolridge Corporation
Rexall Drug Company
Security-First National Bank of Los Angeles
Southern California Edison Company
Southern California Gas Co.
Studio Girl — Hollywood, Inc.
Superior Oil Company
Title Insurance and Trust Company
Turco Corporation
Union Oil Company of California

VIRGINIA-CAROLINA

American Enka Corporation
Camp Manufacturing Company, Inc.
Farmers Cooperative Exchanges, Inc.
Larus & Brother Company, Inc.
David M. Lea & Co., Inc.
Miller & Rhoads, Inc.
Noland Company, Inc.
Overnite Transportation Company
RF & P Railroad Company
Reynolds Metals Company
Smith-Douglass Company
Southern States Cooperative
Virginia Electric & Power Company

NON-CHAPTER MEMBERS

Alabama
The Ingalls Iron Works Company, Inc.
Stockham Valves & Fittings, Inc.

Arizona
Hughes Aircraft Company

Colorado
Colorado Fuel & Iron Corp.

Connecticut
Connecticut Light & Power Co.

Delaware
Diamond Ice & Coal Company

Florida
Florida Power & Light Company
Ryder System, Inc.

Georgia
The Coca Cola Company
Fulton Bag & Cotton Mills
West Point Manufacturing Company

Illinois
Sundstrand Machine Tool Company

Indiana
Insurance Audit & Inspection Co.
The Buhner Fertilizer Co., Inc.

Iowa
The Rath Packing Company

Kansas
The Carey Salt Company

Kentucky
The Mengel Company

Louisiana
United Gas Corporation

Maine
Central Maine Power Company

Massachusetts
Godfrey L. Cabot, Inc.
Simonds Saw & Steel Co.
American Optical Company
Massachusetts Mutual Life Insurance Co.
Howard D. Johnson Company
Betterley Associates

Michigan
Hiram Walker & Sons, Inc.
Gerber's Baby Foods
The Dow Chemical Company

Missouri
Panhandle Eastern Pipe Line Co.
Laclede Steel Company
The Seven-Up Company
Union Electric Company of Missouri

Nebraska
The Cudahy Packing Co.
Hinky-Dinky Stores Co.
Northern Natural Gas Company

New Mexico
Harold J. O'Neill

New York
Twin Coach Company
Corning Glass Works
New York State Electric & Gas Corp.
Rochester Gas & Electric Corp.
Columbus McKinnon Chain Corp.

Ohio
Firestone Tire & Rubber Company
The General Tire & Rubber Company
Diamond Alkali Company
The Parker Appliance Company
E. I. Evans & Company
Peoples Broadcasting Corporation
The Hoover Company
The Youngstown Sheet & Tube Company

Oklahoma
Oklahoma Gas & Electric Company

Pennsylvania
Titan Metal Manufacturing Co.
Armstrong Cork Company
G. C. Murphy Company
Nazareth Cement Company
Aluminum Company of America
Dravo Corporation
Eastern Gas & Fuel Associates
Neville Chemical Company
Pittsburgh Coke & Chemical Company
Pittsburgh Consolidation Coal Company
Sharen Steel Corporation

Rhode Island
Gorham Manufacturing Company
Grinnell Corporation
Wanskuck Company

Tennessee
Hardwick Stove Company

Texas
The Western Company

Virginia
Dan River Mills, Inc.

Vermont
Central Vermont Public Service Corp.

Washington
Boeing Airplane Company
Pacific American Fisheries, Inc.

West Virginia
Pennsylvania Glass Sand Corp.

Wisconsin
Fred Rueping Leather Company
Chain Belt Company
Harnischfeger Corporation
The Kurth Malting Co.
Nordberg Manufacturing Co.
Safway Steel Products, Inc.
A. Geo. Schulz Company

CANADA
Western Canada Breweries, Ltd.
British Columbia Electric Railway Co., Ltd.

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Marine Insurance

(From page 20)

pay all immediate expenses incidental to the loss and take reimbursement upon final settlement. In practice, the Insurer pays the full amount of the claim and receives all subrogation rights of the Assured against third parties.

In Event of Loss

THESE INSTRUCTIONS ARE VERY IMPORTANT. FAILURE TO COMPLY WITH THEM MAY INVALIDATE CLAIM AGAINST THE INSURERS.

Report all loss or damage immediately to and arrange survey with the insurers' nearest agent. Should there be none nearby notice should be given to the nearest Correspondent of the Board of Underwriters of New York or, if none, to the nearest American Bureau or Lloyd's Agent. Request such representative to hold survey and issue certificate stating the cause and extent of loss or damage.

Request carrier's representative to attend survey . . . Preserve container and contents in condition received until survey is completed unless further damage would result. Survey fee can be included in any valid claim against insurers. Where goods are discharged in bad order request survey by carrier within three days of delivery. Claim for all actual loss or damage noted at any survey or for non-delivery of packages must at once be made in writing on carrier or third party who may be liable and copy thereof, also carriers reply, should be given to insured's representative.

The following essential documents must be submitted in support of any claim hereunder: Survey report, "Certificate of Condition" (if issued by carrier's agent or port authority), original and duplicate insurance certificate, ocean bill of lading (also transshipment bill of lading and/or railway freight note if applicable), shipper's invoice including packing list and/or weight specifications, copy of written claim upon carrier and carrier's reply to this claim (when available).

Ocean Cargo Endorsements Import-Export

One or the other of these endorsements is attached to the basic cargo policy in accordance with which class of goods is to be covered. Both endorsements contain the same provisions except as to valuation of goods and "interest."

Valuation

The policy contains a valuation clause which is a formula for arriving at the valuation of goods which have not been declared to the assurer prior to shipment or known loss or accident.

Interest

Import Endorsement: Covers all shipments consigned to Assured or to others for them. Excluding shipments made on C.I.F. or other terms including Marine insurance, but including any shipments Assured is instructed to insure if the written instructions are given previous to sailing of the vessel and to any loss.

Export Endorsement: Covers all shipments made by Assured or others for them. Excluding shipments bought by them on C.I.F. terms or sold by them against cost and orders or other terms not providing for the Assured insuring, but including any shipments the Assured is instructed to insure if the written instructions are given previous to sailing of the vessel and to any loss.

General Provisions

Country of port or place or origin to country of port or place of destination is named with privilege of transshipment by land or water.

Insurance commences from the time the goods leave the warehouse or store at the place named in the policy. This insurance may be extended under certain conditions to include coverage prior to leaving the warehouse.

Insurance ceases upon discharge overside from the overseas vessel at the port of destination or until delivered to final warehouse, but not to exceed 15 days after discharge from vessel or 30 days if warehouse is beyond the limits of the final port. This limitation may be extended in case of contingency if prompt notice is given Company.

Note: All countries in South America have coverage for 60 days after discharge from the overseas vessel.

Insurance not voided by unintentional error in description of vessel, voyage, interest or by any change in the ordinary course of transit that is beyond the control of Assured.

Insurance shall not enure to the benefit of the carrier, but "Negligence and Latent Defect Clause" does not prejudice the insurance.

Analysis of Ocean Cargo War Risk Insurance Policy

IN BRIEF: Usually issued only in conjunction with a Cargo policy of the same company covering the general marine perils and the number of the general Marine policy is indicated in the War Risk Policy.

Insured and Subject of Insurance

Issued to the named Insured.

Premium is based on rates as set by The American War Risk Reinsurance Exchanges from time to time.

Limit on any one vessel is stated.

Effective date of policy is stated thereon.

Goods covered are only those covered under the named general Marine policy.

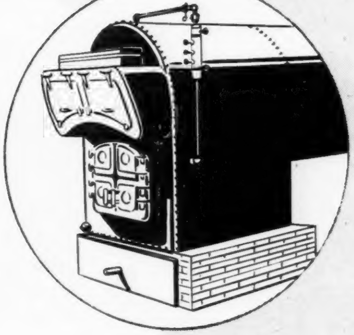
Losses are payable in current funds of the United States as soon as practicable after proofs of loss and interest are filed.

Perils Insured Against

1. Capture, seizure, destruction or damage by men of war, piracy, takings at sea;
2. Arrests, restraints and detainments and other warlike operations and acts of kings, princes and peoples in prosecution of hostilities or in the application of sanctions;

Whether by a belligerent or otherwise—

(More on page 30)



Insurance Function

(From page 6)

tion of vehicle damage, destruction of valuable papers and records and perhaps a few others which need no special mention here.

Business enterprise needs protection against the liabilities imposed by statute. All states have laws requiring that the employer shall pay the employee compensation for lost time and medical expense resulting from work incurred injuries and occupational disease. There are two basic insurance forms available for protection against this statutory liability, one is a standard uniform rate plan and the other a retrospective rating plan. Retrospective rating is a cost-plus plan with a limitation on the maximum amount the employer would have to pay.

No business can afford to be without public liability insurance. The form selected may be the standard form covering bodily injury and property damage or the broader comprehensive form which would include, in addition, contractually assumed liabilities, products liability, libel and any other claims or actions relating to and arising from operation of the business.

Another important group of coverages is the one often referred to as the "crime group." This group concerns such insurance as the employee fidelity bond, depositors forgery bond, money and securities, burglary and a few others less commonly used. The employee fidelity bond protects the insured against dishonest and fraudulent acts committed by its employees. The depositors forgery bond covers loss through forgery or alteration of checks, drafts, promissory notes or other negotiable instruments. Money and securities insurance provides protection against the loss of money and securities caused by actual destruction, disappearance or wrongful abstraction and loss of or damage to other property caused by robbery or felonious entry.

Employee group insurance and sometimes pension plans are recognized as a part of the insurance function. As everyone has had some personal experience with these subjects it will suffice to merely mention them.

In presenting this review of coverages it was necessary to be brief and those mentioned do not represent all insurance forms available.

Audit Procedure

Industry and company differences make it impossible to outline a specific audit procedure to be followed when auditing the insurance function. It is possible, however, to be specific about certain aspects of the coverages which have been mentioned. I will try to avoid generalization as much as possible but please remember that my remarks may be incomplete as they may apply to your company situation and that some modification may be necessary.

From your experience with other case the insurable value of the partially destroyed building and its

(More on page 34)

Marine Insurance

(From page 26)

Whether before or after a declaration of war—
Including civil war, rebellion, insurrection and civil strife arising therefrom.

3. Aerial bombardment; including weapons of war employing atomic fission or radio active force.
4. Floating or stationary mines and stray or derelict torpedoes.

Warlike Operations

Includes collision, stranding or sinking due to the prevention, by wartime regulation, of the usual display of lights on vessels or buoys or employment of a pilot, or collision with another vessel in a convoy or with a military or naval vessel, or with any external substance as a result of deliberately placing the vessel in jeopardy under military, naval or governmental orders.

Policy Does Not Insure Against

1. Loss caused by frustration of the insured voyage due to arrests, restraints or detainments;
2. Loss due to delay, deterioration or loss of market;
3. Loss or expense in consequence of blockade;
4. Loss or damage due to commandeering, preemption, requisition or nationalization by the government of the country or origination or designation of the shipment;
5. Loss or damage due to seizure or destruction under quarantine or customs regulations;
6. Against abandonment in case of blockade.
7. Loss or damage due to capture, restraint, condemnation or confiscation by or under authority of the government of the United States or Great Britain or any country allied with them in the prosecution of hostilities.
8. This exclusion does not include loss by gunfire, torpedoes, bombs, mines or other implements of war, or stranding, sinking, burning or collision while the goods are on board the overseas vessel unless the property is subject to condemnation.
9. Shipments to or from any enemy country or country with which trading is forbidden under the laws of the United States or Great Britain.
10. Shipments on vessels operated or controlled by any such countries.

Valued Policy

Is one which specifies the agreed value of the subject matter insured, (not necessarily the real value) such as "on vessel valued at $5,000,000." — on 10 bales of Wool insured and valued at $8,000."

Therefore, if it is intended that the policy shall be a "valued" one, the amount which the parties agree upon as the value of the property insured must be inserted in the policy, and the amount so stated is conclusive between the underwriters and assured unless it is grossly excessive or the property is fraudulently over-valued. Normally, valued at C.I.F. plus a percentage at destination.

Marine Open Cargo Policy

In effect, it is an agreement whereby the Underwriter undertakes to insure all shipments for certain voyages, either at specified rates or at rates to be arranged. The Underwriter is notified by the insured when shipments are made and policies and certificates are then issued.

The amount of the interest of the Assured must be proved in a case of a loss.

The insurable value of freight in an Open Policy is the gross amount of the freight plus the cost of insurance, but without deducting anything for the cost of earning the freight.

These contracts are often referred to as "Floating" Policies or the "Marine Open Policy Cargo Form." These policies are confined to insurance of cargo only. They protect all shipments of the Assured as described in the policy, if made within certain named geographical limits.

Declarations can be made by filling in the necessary particulars on a form specially provided for that purpose, the form then being forwarded to the Underwriter for his acceptance of the declaration.

Inasmuch as all shipments are covered by the Open Policy, declarations or report must be made to the company for each shipment. The Assured cannot declare some and run his own risk on others, or insure others elsewhere and, unless the policy otherwise provides, the declarations must be made in order of dispatch or shipment.

An omission to declare, or an erroneous declaration may be rectified even after a loss, provided the omission or mistake is bona fide. GOOD FAITH is the essential ingredient in any contract of marine insurance.

Any special stipulations must be complied with, e.g. Declarations to be made as soon as possible after sailing and any Sailing Warranties complied with.

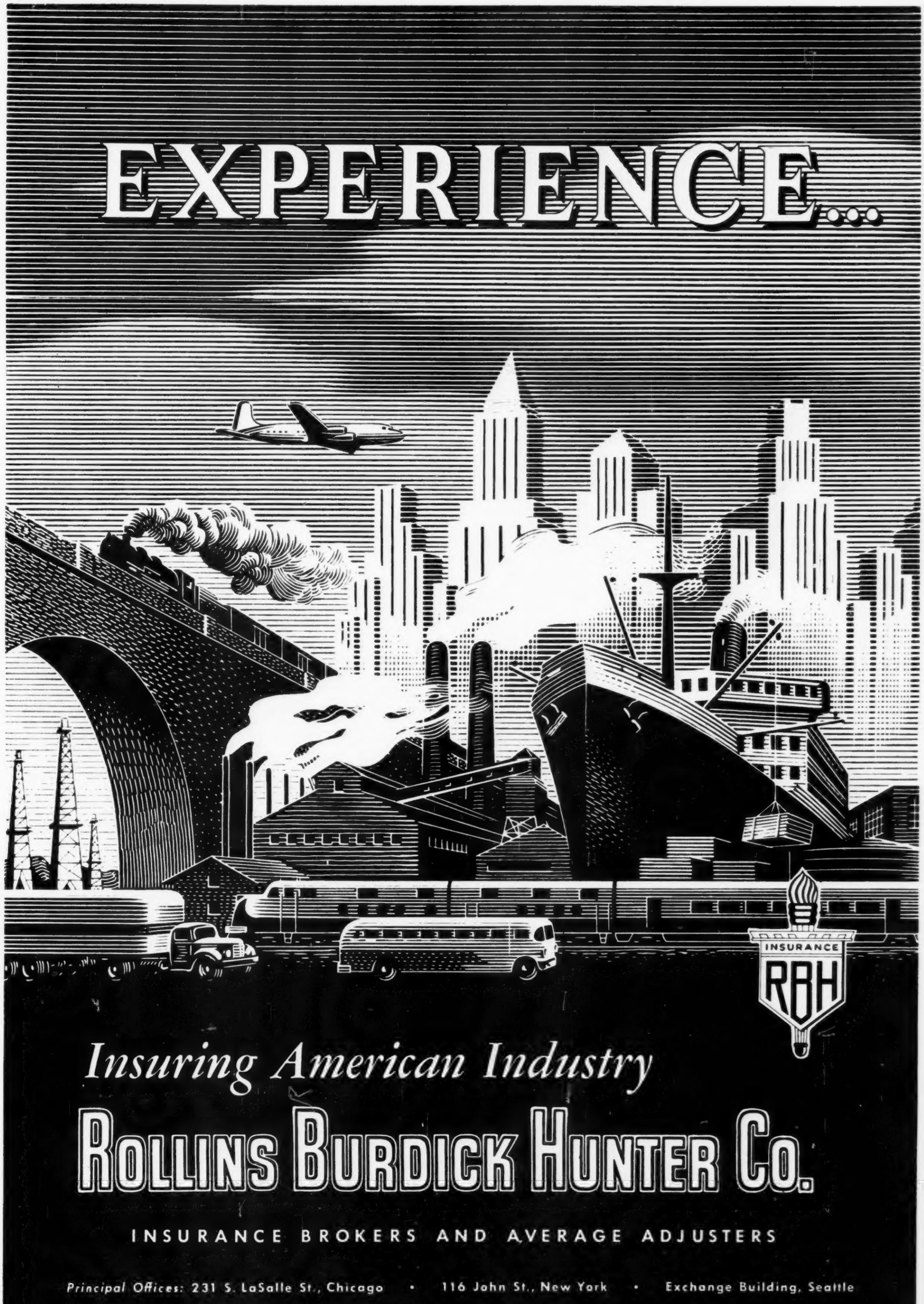
It is usual for Marine Open Cargo Policies to contain a cancellation clause, whereby either the Assured or the Underwriter, upon due notice in writing being given, may cancel the policy before same is run off.

The premium will depend on the volume of shipments and is computed as per a rate schedule attached to the contract. There is no deposit premium required.

The great bulk of ocean cargo insurance is written under this form. Large shippers, exporters and importers, have many shipments at sea at all times. It frequently happens that they may not be notified of shipments until a consignment is ready to sail or has actually sailed. To procure special policies would be difficult and would involve costly delays, hence the practical application of this type of policy.

The advantage of this type policy to the Assured is that he is covered even though the loss occur before he declares the

(More on page 32)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Marine Insurance

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shipment. Normally he would also receive lower rates under an Open Contract than on a special risk basis. The Underwriters place implicit trust and confidence in the honesty and integrity of the Assured, in each instance.

Marine Insurance Certificate

Is a special policy which is a document of guarantee.

Due to the fact that, in connection with commercial transactions for shipments overseas, the marine insurance policy is often required to be placed in custody of a bank, or consignee, and whereas an "Open Cargo Policy" is designed to cover many shipments, another insurance document was devised called the "Marine Insurance Certificate."

Books of "Certificates" are issued by marine underwriting companies. Under "Open Cargo" policies the insured is thereby given the privilege of issuing certificates from time to time from the book provided by the Underwriter.

In effect, the Certificate represents and takes the place of the policy, and conveys all the rights of the original policyholder (for the purpose of collecting any loss or claims) as fully as if the property were covered by a special policy direct to the holder of this Certificate and free from any liability for unpaid premiums.

Exporters can thereby negotiate a lump sum total of insurance under one policy and also protect their consignees, bankers, or other creditors by issuing to them separate documents which evidence the original policy and which, by transferring to the holder the benefit of the insurance, act as a substitute therefor.

F.O.B. Cover and Contingent Cover

In today's market, irrespective of how the shipper may feel about the matter, we must concede that an exporter cannot *always* insist on the placing of his insurance under his own Open Policy. In such cases, it is well to discuss F.O.B. COVER and CONTINGENT COVER.

F.O.B. Cover

This cover, which is provided by a specific endorsement to the Marine policy, serves a bona fide need for exporters selling under general provisions that provide for transfer of title to the buyer between the time of departure from the seller's premises and loading on steamer, or if the sales terms are indefinite, that title may pass at some intermediate point. Whether the risk of physical loss or damage is to be borne by the seller or buyer is not easily resolved in actual practice. Loss or damage enhances the prejudice of the parties seeking to determine these issues. Consequently, there is a possibility of the seller sustaining a loss as a result of damage to merchandise prior to the time title passes to the buyer, and prior to payment under the letter of credit, or becoming involved in a dispute as to when title passes should such loss or damage occur prior to the attachment of the buyer's insurance and prior to payment under the letter of credit. The coverage provided in the "F.O.B. Endorsement" does not act to benefit the buyer and the insurance is to cease upon loading aboard the overseas vessel, or when title passes to the buyer, whichever first occurs. Should any dispute arise between buyer and seller as to the points of transfer, it is the intention of the endorsement to support the seller in his contention, and protect him during the period of dispute. The reporting paragraph of the "F.O.B. Endorsement" requires the assured to report to underwriters at the end of each month the total amount of all shipments by truck and by rail. An average rate can be used to cover both rail and truck shipments. Inasmuch as most exporters today are shipping to some consignees who carry their own insurance, there is a real need for this type of cover.

Contingent Cover

The marine companies today provide a further cover to their assureds which provides protection to these assureds in cases where restrictive legislation in foreign countries demands that the basic marine coverage be placed in these foreign countries. This cover is written on broad terms at reduced rates and provides that if the exporter is unable to collect from the buyer or the buyer's insurance because of loss or damage to the merchandise, he will be able to collect under this cover. This cover only inures to the benefit of the shipper and in no way is intended to reimburse the buyer.

This coverage is considered as a special agreement between the Company and the Assured, and it is therefore understood that no mention of the protection provided in this cover shall be made in the certificate of insurance or otherwise. Any other insurance is to be deemed prior insurance, and these Underwriters shall not be called upon to contribute, but this insurance shall be held to apply only for the difference in amount and condition between the prior insurance and this insurance (or if there be no insurance on the goods to pay for the full amount) not exceeding the sum hereby insured.

This insurance attaches only to the extent that such other insurance is insufficient in amount to cover the amount at risk, and shall be liable only for the amount which cannot be collected under such other insurance, and could not have been so collected if this endorsement had not been issued and providing that the loss is covered under the terms of this policy.

Consideration for the above is at one-half* of the rate applying to shipments sold C.I.F.

> *(This proportion of rate is one normally charged; however, under certain circumstances it may be at even lower rates.)

F.O.B. Sales Endorsement

"It is hereby understood and agreed that effective ____________ this policy is extended to cover, subject to its terms and conditions, goods and/or merchandise sold on F.O.B., F.A.S., or similar terms whereby marine insurance is ef-

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Insurance Function

(From page 28)

audits you know that perspective and approach are tremendously important to a successful audit. The insurance audit is no exception. In fact, in my opinion this audit requires even more attention to pre-audit thinking and perspective than most other audits.

As a beginning, attempt to view the insurance function from top management's position and in terms of the insurance manager's or buyer's responsibility. An insurance manager may have many duties and responsibilities but a distillation into a brief statement produces the following, "The insurance manager is responsible for the purchase of insurance in amounts and in forms necessary for the protection of the business against those insurable hazards and perils to which it is exposed." Preparing an "exposure list" before beginning the audit can be very helpful not only in conditioning your thinking preparatory to making the audit but also for use as a scope and progress guide after the audit is underway. This exposure list need be nothing more than a geographical and topical listing of properties together with perils and hazards. As the audit progresses you will probably discover that the exposure list was incomplete but by the time the audit has been completed it will have been amended so that it represents a record of your company's policy of insurance.

* * *

The first step in making the audit will be to prepare a schedule of insurance in force. This will be done by reviewing the insurance policies. List policies by type groups showing the amount of insurance in force, rate, effective date, expiration date, property or risk covered. This schedule of insurance can then be reconciled with the exposure list previously prepared and differences between them can be cleared up. Next the amounts of insurance in force are to be verified. At this point the auditor encounters one of the more challenging aspects of the assignment. He is confronted with such terms as coinsurance requirements, statutory requirements, limits of liability and other phrases concerning the amounts of insurance carried. The establishment of insurable values for fire insurance purposes is a unique problem in itself. Some insurable values are determined by an appraisal made by an independent firm specializing in this service. Others may be book values and a third group may have been established by the process of collaborative judgment between top management, the insurance department and the broker or insurance company. Regardless of the manner in which the insurable values or the limits or liability were determined they should be verified to establish that the company's assets and working capital are adequately protected. There are several tests that can used to ascertain the adequacy of the insurable value of buildings, furniture, machinery and equipment. Finished goods inventory should be no problem as it probably is valued at the selling price, in any event the basis used should be easily ascertainable. If items of the first group have been appraised by an outside firm within the last several years the chances are very good that the amount of insurance carried is adequate. If the appraisal was made by company employees the auditor should familiarize himself with the methods that were employed. In this respect the auditor is obviously at somewhat of a disadvantage unless he should also have had some training in this field. Nevertheless anything which appears to be unreasonable can be questioned and discussed with the insurance department. If book values only are used for determining the amount of insurance in forces the chances are, under present conditions, that the amount of coverage is inadequate.

If appraisals are not made periodically by an outside firm specializing in this type of service it probably would be worthwhile to make an examination to determine that all insurable values are a matter of record. Such record or records should contain a description of the items and their insurable value. In the event of loss the insurance policy requires that the insured submit proof of loss to the insurer, usually within 60 days from date of loss. The proof of loss is an itemized, sworn statement of loss, obviously if an appraisal or other accurate records of value are not available it will be most difficult to execute the proof of loss. In the absence of such records it will in all probability be necessary to enter into extensive negotiations with loss adjusters to arrive at mutually acceptable loss figures. Under this circumstance, the insured is obviously at a disadvantage as the responsibiilty of proof is upon him.

* * *

It becomes apparent then that appraisals serve a dual purpose. First, they are the basis for determining the amount of insurance to be purchased or carried and secondly, appraisals are used for describing and valuing the items which have been damaged or destroyed and for which an insurance claim is going to be made.

Probably this is the appropriate point at which something should be said about coinsurance. Fire insurance policies frequently carry a coinsurance stipulation. 90% coinsurance simply means that the insured agrees to carry an amount of insurance in force which is not less than 90% of the insurable value. Coinsurance is a policy provision whereby the insured can obtain maximum coverage at a minimum premium rate and which produces an adequate premium for the insurer. Without coinsurance an insured may want to gamble and only insure 40%, let's say, of his total value. This places the insurer at somewhat of a disadvantage with respect to premium income and the insured is gambling that he won't have a loss exceeding 40% of value in the interest of premium economy. So insurers have offered coinsurance at a greatly reduced rate in exchange. For the insured's agreement to carry not less than 90% of coverage to value.

To illustrate the operation and application of coinsurance where the 90% requirement has not been met, let's assume a partial loss has taken place. In this hypothetical case the insurable value of the partially destroyed building and its contents is $5,000,000 and the loss

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Boiler and Machinery

(From page 14)

evidence available after the accident occurred and an open discussion of the circumstances and an examination of the boiler policy language. The accident definition under a boiler schedule includes the "sudden and accidental tearing asunder . . . caused by pressure of steam or water therein". Occasionally claims are presented for occurrences which are not caused by the pressure of steam or water. As an example, a claim was presented for damage which resulted from the escape of steam from a pipe. The investigation revealed that, during a period when the piping system was not under pressure, a workman had broken off a piece of pipe and had neglected to replace the broken piece before steam pressure was applied to the system. When this information was revealed, it was readily agreed that the occurrence did not fall within the definition of accident as given in the boiler policy.

Occasionally misunderstandings arise regarding the leakage of joints, fittings and valves. These occurrences are excluded from the policy accident definition. The joints between the tubes and the tube sheets occasionally leak because of the accumulation of scale on the water side which interferes with the cooling effect on the metal of the water in the boiler. Cases of this kind are considered as being excluded. If, however, the leakage of these joints is caused by a deficiency of water within the boiler, they are included within the definition of accident as given by the policy.

The definition applying to electrical machines includes sudden and accidental burning out of the object, but not the burning out of insulation unless accompanied by a short circuit. A motor may be subjected to long periods of excessive overloading which results in roasting of the insulation, requiring the rewinding of the motor. The machinery insurance does not contemplate including such rewinding costs, as they are regarded as of maintenance nature and they do

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Insurance Function

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amounts to 50% or $2,500,000. Under a 90% contract the amount of insurance required to be carried is $4,500,000. In adjusting the loss it is determined that instead of carrying $4,500,000 of insurance the insured had but $3,375,000 or ¾'s of what he was required to carry. Consequently, the coinsurance penalty would be invoked. Instead of recovering 100% of the $2,500,000 loss the insured will recover ¾'s of that amount or $1,875,000. The dollar penalty for failure to live up to the coinsurance agreement is $625,000.

* * *

In verifying the amount of fire insurance carried special attention should be given to the handling of machinery and equipment acquisitions and disposals. Unless an effective procedure has been set up it is possible that new acquisitions are not insured and that items which have been disposed of are still insured.

Determining the amount of fire business interruption insurance to be carried depends on the type of form used. Regardless of the type of form used the amount of insurance is predicated on anticipated operations of the future, usually the next 12 months. Here it will be necessary for the auditor to determine that the most recent budget data has been used to establish the amount of insurance to be carried. From here on verification is relatively easy as it is just a matter of following the formula called for on the policy form in use.

* * *

Boiler and machinery business interruption values are somewhat more difficult to verify. I won't attempt to explain this with respect to all objects that may be covered. For this purpose a boiler and an air-compressor will be suitable. The same basic operations data is used here as in the case of fire business interruption — namely, future expected profits and continuing expense that would have been earned if no interruption had occurred. The complexity arises in connection with establishing the period that the business may be interrupted as the consequence of a boiler explosion or the flywheel on the compressor exploding. The first consideration is the length of time it would take to replace the boiler and to repair the air-compressor. The second consideration is the length of time it would take to repair probable secondary damage that may be caused by the exploding boiler or air-compressor flywheel if such secondary damage is severe enough to result in a business interruption. I would say that in connection with this verification about all the auditor can do is satisfy himself that amounts of insurance have been intelligently arrived at by qualified people. We recently renewed our boiler and machinery insurance and our exposure was determined through a joint survey made by our engineers and engineers representing the insurance company. Their findings were reduced to writing and made a part of my insurance file and used to determine the amount of insurance to be carried.

* * *

The amounts of workmen's compensation insurance to be carried are determined by statute except for catastrophe exposure. But there are 2 points the auditor should be especially concerned with. First, make sure you have insurance for each state in which you have employees. Secondly, the maximum limit of liability should be sufficient to cover catastrophe exposure. For example, if you have but 2 salesmen in a certain state the statutory limit of, let's say $18,000 may be sufficient. That amount would not be sufficient in a state where you have a factory employing 1000 workers. An explosion at that factory may kill a dozen men and maim a score. In that state you may need $1,000,000 or even a $2,000,000 limit of liability.

There usually is a considerable difference of opinion about the amount of public liability insurance to be carried. About all the auditor

(More on page 38)

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Insurance Function

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can do here is satisfy himself that the method used for arriving at the amount carried is reasonable. A number of factors should be considered such as the hazardousness of the business, public exposure, financial ability to pay and others which may have some bearing.

* * *

Determining the amount of the employee fidelity bond is also almost always controversial. There are some formula advocates and, of course, there are a number of formulas. One of them is 5% of current assets. Frankly, I do not believe that formulas are too helpful as there are wide variations of exposure among companies within given industry groups. If you don't already know this it may be of interest. Carriers writing employee fidelity bonds are taking an increasing interest in their insured's internal auditing programs. Speaking from my own experience, we changed bond carriers a little over a year ago and I had to submit a comprehensive report on internal control and internal auditing. Carriers consider those insured's having an effective internal audit program to be better risks because of the reduced exposure resulting from internal auditing.

Determining the limit of liability under the Depositors Forgery Bond and Money and Securities Insurance is relatively simple, merely being a matter of making an exposure analysis. Upon our last renewal of these coverages this exposure analysis consisted of a listing of bank accounts, working funds, petty cash funds, etc. By location and then on the basis of this deciding the amount that should be carried.

* * *

No insurance audit would be complete without an examination of the handling of group insurance. This can be quite involved but our time this evening will not permit more than mentioning major aspects. The premium report made to the insurance company is the essence of this audit. It should be verified by reconcilation with individual enrollment cards and payroll deductions and cash payments made. The handling of cash payments by laid off employees or those on retirement who are permitted to continue their insurance temporarily or permanently should receive particular attention. This audit should be made with the view of determining that premium is collected and paid for all insurance authorized by employees, in short, that premium paid to the carrier does not exceed authorizations nor is deficient.

* * *

Up until this time no particular point has been made of insurance rates. And, of course, an auditor is very much concerned about, price and cost. This has been reserved as a separate subject because what there is to say is generally common to all insurance rates. Rates should be verified during the examination of the policies. Rate changes should be noted and reasons for the changes should be ascertained. At the time of noting rate changes the auditor should also determine that management has been notified of the changes. The rate audit should include a check of the insurance ledger to be sure that insurance expense is being properly charged.

The auditor may find that coverages have been changed, or he may find that a coverage has been terminated or a new coverage entered into. Then this is discovered he should determine that such changes have been approved by management It may also be discovered that insurance has not been purchased for an insurable risk. If approved by management, the auditor should review the basis on which the non-insured or self-insured policy was approved to satisfy himself of the reasonableness thereof.

* * *

In summary I suggest that the auditor keep certain major objectives and points in mind when making the insurance audit.

1. He should reconcile existing insurance coverages with those rises which can be insured.

2. Determine that current coverages in force and rates charged have been approved by top management.

3. Determine that values insured are adequate and that disposals and acquisitions are currently reflected.

4. Review all insurance methods, procedures and departmental policies.

5. Recognizing that auditing may have some limitation of qualifications to judge and evaluate insurance matters and secure technical assistance when needed.

Self-Insurance Seminar Held in New York

On April 16th, the New York Chapter, ASIM held a Self-Insurance Forum at the Hotel Statler.

Although attendance was limited to 60 persons, the forum was over-subscribed as soon as it was announced.

Those who took part in the program were:

Arthur Macaulay of Blades & Macaulay, who spoke on "Principles of Self-Insurance"; Donald W. Berry of The Borden Company, who spoke on "Self-Insurance as Applied to Public Liability Risks and Risks of Physical Damage"; E. C. Alheit of American Can Company, who spoke on "Self-Insurance of Workmen's Compensation Liability"; Joseph Dean Edwards, Attorney & Counsellor at Law, who spoke on "Setting Up a Legal and Claims Program for Self-Insurers"; and E. V. Walsh of Standard-Vacuum Oil Company, who spoke on "Self-Insurance — Cargoes — Hull — Protection & Indemnity."

A lively question and answer period followed the speeches.

Marine Insurance

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fected by the buyer and on which the assured's liability ceases not later than the time the goods and/or merchandise are laden on board the vessel, or at time of transfer of title, whichever may first occur, from the commencement of transit at the assured's plant, or other place of shipment, until laden on board the vessel, including any lighterage, and for not exceeding thirty days while held on wharves, piers, docks, quays, storage barges, boats and lighters while awaiting loading on board the vessel or held covered at an additional premium if required, provided prompt notice is given the Company.

This insurance, however, is not to attach as respects any goods and/or merchandise if, at the time of loss or damage, there is any other insurance which would attach if the coverage provided under the endorsement had not been effected, except that this insurance shall apply only as excess and in no event as contributing insurance and then only after all other insurance has been exhausted. Nevertheless, any direct loss sustained by the assured otherwise recoverable hereunder shall be advanced as a loan repayable without interest only out of any recovery the assured may receive out of such other insurance.

The assured agrees to report to this Company at the end of each month the amount of all shipments made by rail and the amount of all shipments made by truck, covered hereby, and pay premium thereon at the following rates.

There is another method of handling the Inland Transit risk that can be worked out, particularly for those of you who may not carry an Open Ocean Policy, and that is by means of a Transit Floater. This segment of Inland Marine Insurance is not under regulation as to form or rates and therefore it is possible to arrange a coverage on goods destined for export whereby they are protected from the time they leave your factory, store, or

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Boiler and Machinery

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not satisfy the "accident" definition requiring that a short circuit occurs. Usually differences regarding this definition are not difficult to handle, because when a short circuit does occur, either between windings or between the windings and ground, fusing or melting of the conductors occurs and establishes the fact that a short circuit was present.

Use and Occupancy Losses

A number of cases have arisen regarding Use and Occupancy losses, generally resulting from lack of a clear understanding of the policy terms. The assured sometimes fails to realize that the Use and Occupancy coverage is tied in with the Direct Damage coverage and requires that an "accident" as defined in the Direct Damage section of the policy must occur before liability exists for Use and Occupancy. For example, an assured may have a motor which is taken out of service for the replacement of worn bearings, and a claim may be presented for the resulting loss of production. No liability exists for Direct Damage resulting from the replacement of worn bearings, and consequently the loss of production resulting from the motor being out of service is not covered under the U & O.

The U & O endorsement provides that the assured may be reimbursed for reasonable expense for reducing or averting U & O losses, providing the amount spent does not exceed the amount of U & O loss averted. Sometimes the assured may inadvertently spend more in attempting to reduce a production loss than the amount of the U & O loss incurred. As an example, some plants generate a portion of their electrical energy and purchase the remainder from a utility. The power contract usually includes a demand charge and an energy charge. The demand charge established in a single billing month may, under the power contract, prevail for a number of billing months to follow even though the demand for power may revert to normal. If a plant has established a demand charge of 1,000 kilowatts prior to an accident, and because of an interruption involving their own generating facilities may purchase additional energy resulting in the increase of the demand charge from 1000 to 1500 kilowatts, a charge is then made for the additional amount of demand plus the additional energy consumed while their own facilities are out of service. If the demand charge continues, by contract, for a number of months following the resumption of operation of their own facilities, the extra charge for the increase in demand charge may exceed the actual U & O loss which would have been incurred had the additional amount of power not been purchased. In computing the extra cost for electrical energy, consideration must be given to the cost of generating energy with the assured's own facilities in comparison with the cost of purchasing electrical energy.

Leather Manufacturing Plant

A claim was received in an eastern plant manufacturing leather products. In this case it was not necessary to increase the demand charge, which had already been established prior to the accident, but the plant did purchase more kilowatt hours during the month that their own generator was out of service than they would normally purchase. A claim was presented for the full amount of the cost of purchasing the additional amounts of energy. In adjusting the claim, it was pointed out that the assured's extra costs only amounted to the difference between the cost of purchasing power and the cost of generating with their own facilities. The plant manager had difficulty understanding this point until his attention was called to the fact that the amount of coal purchased at the beginning of the month, and which he normally would consume, was still in the coalpile at the end of the month. He then realized that he had saved the fuel cost he would normally have expended, and agreed that this should be credited against the charge for purchasing an additional amount from the utility.

Textile Plant

Another case involved a rather large textile plant which under normal operation purchased power at a reduced rate during the off peak periods of the day. When their own generating facilities were unable to function due to an accident they purchased power during the peak periods, and a demand charge was established for twelve months. The additional demand charge amounted to approximately $30,000, and this amount was presented in the claim made against the insurance company. The plant had not kept cost records on their own generating facilities. In adjusting the loss the insurance company asked for a credit representing the cost of generating electricity with their own facilities. At the assured's request, settlement was deferred for a period of several months, during which time cost records were kept. The assured was surprised to learn that the cost of generating power was considerably higher than the cost of purchasing power, even with the demand charge. As a result of the cost study made, it was agreed that a credit for the cost of generating power was in order, which in the period of the year absorbed most of the $30,000 charge originally made. The assured adopted a new program involving the purchasing of more electricity from the utility which resulted in considerable saving in the following years. These examples serve to illustrate that, in a sense, salvage may be a factor in U & O as well as Direct Damage claims.

Differences which may exist between insurance companies are mentioned here principally as a matter of interest rather than as a matter of concern to the assured, as these differences are usually reconciled between the two carrying companies in accordance with guiding principles which have been established between insurance carriers.

Printing Company

About two years ago, a boiler located in a small boiler room in a printing establishment suffered a low water condition, and through failure of the automatic controls the gas firing of the boiler contin-

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Business Interruption

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Restore stock in process to the state of manufacture that existed at the time of the loss.

The insurance policy limitations in respect to time are few. In respect to all items except stock, the coverage simply provides, "For such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair or replace." The coverage as to time in erspect to raw stock and stock in process generally is limited to the time that the stock would have afforded operations. Sometimes there is a 30 day limitation. Generally, the time limitations in respect to stock are not material and the policy holder suffers no penalties thereby.

There are losses where there are unusual facts or circumstances concerning the time element. Special circumstances sometimes lessens or lengthens the time that might be stated under a general rule.

The actual calculation of loss figures must be related directly to the length of time that is determined. Another factor of time will manifest itself at this point. If the interruption is in a peak production or sales period, the loss will be much greater than if occurring in a valley or low production period.

No General Rule

It is impossible to state a general rule of what are continuing charges and what are not. Small partial suspensions present one extreme with the large extended time losses a radical opposite. All sorts of situations exist in between which must be met, based on existing facts and circumstances. It is reasonable to say that all charges and expenses can be continued that are necessary to resume operations with the same quality of service that existed prior to the loss or interruption.

Extra-ordinary or expediting expense plays an important part in the great majority of Business Interruption losses. All sorts of costs are incurred to hasten the resumption of operations or to carry on production or sales in an alternate manner. Generally speaking, extreme care must be used in computing the extra-ordinary or expediting costs. On some losses, such costs can be computed readily, however, they are the exception. Such combined costs cannot exceed what the loss would have been on the basis of a total suspension with no temporary or alternate operations. Occasionally, a loss occurs and because of unusual circumstances, business and production is carried on at other plants and locations and the combined extra-ordinary or expediting costs exceed a total suspension basis. In fact, one loss occurred not too long ago where extra-ordinary costs exceeded a total suspension by three times.

"Actual Loss Sustained"

Much has been said in the past about the meaning of three words, "Actual Loss Sustained." Business Interruption forms are in the process of being revised and the three words will now appear in the insuring clause at its beginning rather than its old familiar place. The only effect in this change is an attempt to accentuate their meaning. Actually, the words have in the past and will forever mean, Indemnity. They are employed to say in effect that the Insured should be in as good but no better position after a loss than if no loss had occurred. The three words are a restatement or classification of other wording appearing in the same clause, "Reduction in gross earnings****less charges and expenses which do not necessarily continue during the interruption of business." "Reduction in gross earnings" is intended to embrace the actual, not hypothetical impairment of final earnings, hence the further qualification of "ACTUAL LOSS SUSTAINED."

Attitude of Adjusters

Much has also been said about the attitude of adjusters. Invariably, they are seeking a reasonable and prompt answer and satisfactory conclusion for all parties concerned. Rarely does the adjuster appear on the scene of a Business Interruption loss fully equipped to

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Marine Insurance

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warehouse and thereafter while in transit, until delivered on board or alongside vessel.

Underwriters, however, would insist on some provision, particularly if it were a so-called All Risks form of coverage, whereby their liability was definitely cut off upon a clean receipt being given at the ship. In other words, provisions made so that concealed damages which might not show up until arrival at final destination and which could not be traced, would not be claimed against the Inland Carrier.

If the goods are intended for export and are specifically earmarked for export, they can even be covered while in warehouse during interruption in transit, or otherwise, and without limitation of time. The Nation-Wide Definition and Interpretation of the Insuring Powers of Marine and Transportation Underwriters makes specific provision for such a contingency in the following rule:

> "Exports may be covered wherever the property may be, without restriction as to time, provided the coverage of the issuing companies includes hazards of transportation.
>
> An export, as a proper subject of Marine or Transportation Insurance, shall be deemed to acquire its character as such when designated or while being prepared for export and retain that character unless diverted for domestic trade, and when so diverted, the provisions of this Ruling respecting domestic shipments shall apply, provided, however, that this provision shall not apply to long established methods of insuring certain commodities, e.g. cotton."

The premiums for such coverage as described are subject to negotiation and may be made on a trip basis or on some form of annual basis, taking into consideration the total amount of liability at Underwriter's risk.

Do not overlook the fact that Marine Insurance, both Ocean and Inland, can be a very flexible type of coverage and policies can be drawn on a tailor-made basis to fit your individual needs.

My own company makes a practice of studying the needs of an assured and will prepare tailor-made coverages for unusual situations.

Importers

It is of the utmost importance that importers, when arranging purchases, specify in their Letter of Credit that the seller of the goods is *not* to arrange the insurance. You can easily and automatically secure your own insurance by means of an Open Policy that will give you complete coverage in almost any situation. You know just what your covering conditions are and the rates of premium. There are occasions in foreign countries where interpretations of coverage as offered are quite different than in the United States. In case of a General Average, the adjuster at this end will release the goods upon your signing the bond and your insurer giving the necessary guarantee. If you buy C.I.F., you may not know the conditions of coverage or even who the underwriters are until after the loss occurs. In these troublesome times especially, the value of proper security is very great. In fact it always is. During the early days of the late war many imports to the U. S. were insured with Underwriters whose country had been overrun by the enemy and all communications cut off. Many American importers, in order to protect themselves, were forced to take out some form of Contingent Coverage, with all the trouble and additional expense involved. As a matter of fact, we have often seen policies of Continental Companies that no one here could understand and which were not payable in the United States.

Marine Insurance is a somewhat technical subject at best. Some of the wording is very old and archaic, but a great many decisions and interpretations have grown up over the years and have stood the test of time. It is therefore of the first importance that your broker or Company Agent be chosen with care so that one with specialized knowledge of Marine Insurance be employed, to the end that the contract most suitable to your requirements is secured, with a sound and strong insurance company.

Port Risk, Builder's Risk, Hull & P. & I. Policies

PORT RISK POLICY:

Covers a vessel during a protracted stay at a named port against certain named risks and perils.

NOTE: It is not necessary for the vessel to remain at a particular wharf or anchorage (unless the policy specifically so provides).

The vessel may, therefore, move within the port limits.

The vessel may load cargo and prepare for a voyage.

The policy terminates when the vessel having cleared and being ready in all respects for sea, breaks ground on her outward voyage even though she is still within the confines of the named port.

BUILDER'S RISK POLICY:

Covers risks incidental to the building of vessels. Usually covers for a fixed term from the time of laying of keel, construction, launching, trial trips, until finally handed over to owners.

NOTE: If vessel is delivered before expiration date of policy, a refund is made.

If the term expires before delivery of vessel, the policy may be extended to time of delivery.

The "Perils" clause is the same as in the basic ocean cargo policy and includes the sue-and-labor clause.

The "Collision" clause is the same as in the hull form.

The "P. & I." clause assuming the loss which may be imposed by responsibility for damage to property of others is included.

Liability is EXCLUDED for injury to workmen or other persons, damage of materials of construction or equipment in transit before reaching building port, consequential damage or claim

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Business Interruption

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proceed of his own knowledge. He is generally well informed as to the coverages provided but wholly unfamiliar with the involved operations as they must be related to the coverage. In fact, the property or facilities that are involved may be so highly technical the adjuster might study them the rest of his natural life and still not understand them fully. The Insured's position is that of accumulating all the pertinent facts and stating them in their most simplified form, supporting all figures with calculations beamed to the Business Interruption coverage and not necessarily following normal accounting procedures.

Two Derivatives

To sum up, satisfactory Business Interruption loss adjustments are derived from two things: First, properly conceived and written coverage with the *possible* loss being upper-most in mind rather than the *probable* loss. Second, when a loss occurs, careful and well conceived plans toward its conclusion at the outset, with nearly constant checks to determine actual progress toward resumption of normal operations and the adjustment of the loss.

A leader is above all things an animator. His thought and faith must be communicated to those he leads. He and they must form as one at the moment of executing a plan. That is the essential condition of success.

—Marshal Foch

Boiler and Machinery

(From page 40)

ued, resulting in a loss under the boiler policy which involved the cost of repairing the boiler. In addition to the boiler damage, a sprinkler located in the boiler room operated, due to the high temperature rise in the vicinity of the boiler breeching. This occurrence took place during a weekend when the plant was unattended except for a watchman. The sprinkler continued to flow and water ran out of the boiler room and caused damage to a considerable amount of expensive paper stored in a nearby room. The fire company contended that the damage to the paper stock was a joint loss under the boiler and sprinkler coverages. The boiler company took the position that the damage to the paper stock was solely loss under the sprinkler coverage, reasoning that the same condition, i.e., the continued firing of the boiler, produced a loss under the boiler policy and concurrently produced a separate loss under the sprinkler coverage. The assured was paid for the paper stock as a joint loss between the boiler and the fire carriers, and the matter was arbitrated in accordance with the principles established between the fire and casualty companies. The Arbitration Board ruled in favor of the boiler company, making the loss in question a loss only under the fire policy. The boiler company was then reimbursed for its contribution by the fire company. In this case the assured, of course, was made whole and the difference in viewpoint was adjusted between the two carriers.

Conclusions

I hope that you occasions to settle claims will be few, and that those cases which you do encounter will result in the complete and satisfactory adjustment of viewpoints.

Marine Insurance

(From page 42)

through delay, regardless of cause, such as strikes, riot, civil commotion, earthquake, etc.

In view of the fact that the builder is usually entitled to partial payments for the work as it reaches certain stages of completion, it is customary for the shipowner to be named with the builder as the Assured under the policy.

HULL AND MACHINERY POLICY:

Covers the hull, tackle, apparel, furniture, etc. at a certain value. Also boilers, machinery, etc. at a certain value.

If the policy is a Time Policy a reasonable quantity of bunkers is covered.

NOTE: Hull coverage is usually for a fixed term rather than a voyage.

It provides for cancellation by mutual consent and for refund of premium at a specified rate.

It provides for refund for periods of idleness.

It provides coverage of the liability of the shipowner to indemnify the owner of the other vessel if the insured vessel is proven to be at fault in a collision.

There is a special clause applicable to each voyage excluding

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Personnel Available

Inland Marine experience. Age 35, married—now handles various lines including ships service and stevedore liability—all phases of inland marine underwriting, reinsurance, etc. Excellent man with specialized training and ability. Has Mechanical Engineering Degree in addition to insurance background. (Address — ASIM - 11).

* * *

Safety Engineer. College education; married; presently employed. Responsible for general supervision of employees in planning, application, and administration of safety engineering service to policyholders. Experience also includes design of accident prevention programs, measurement of progress and reports to management of policyholders with multi-plant operations. (Address — ASIM - 17).

* * *

Ten years experience as Assistant Insurance Manager. Capable of handling the purchasing and administration of all forms of insurance coverage. Also personnel and industrial relations. Married. Age 42. Available at once. (Address — ASIM - 14).

* * *

Young man, 30, married — good education — would like to improve his position. Now employed as assistant to Insurance Department Manager of large private corporation. (Address — ASIM - 20).

* * *

Corporate Insurance Manager: Presently employed in New York handling all lines of insurance, including compensation and automobile Safety Programs. Has 15 years experience in field and knows markets, contracts and applicability of insurance to large manufacturing operations. Age 42, married and has family. (Address — ASIM - 23).

* * *

Assistant Manager 15 years: Capable of administering full insurance program. Additional experience in accounting, real estate and leasing. Conscientious and very interested in insurance business. Will relocate. Invite offers from California, Florida and Texas as well as any other area. (Address—ASIM - 26).

* * *

Insurance Administrator: Currently employed by multi-plant electronic manufacturer, with domestic and foreign subsidiaries, devoting my full time to insurance and pensions. Eight years with present employer. Fully experienced in developing a well rounded program by negotiating "tailor made" policies for all types of business insurance. Age 44, married with two children. (Address — ASIM - 25).

Marine Insurance

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particular average of less than 3 per cent or a fixed amount as $5,000, $500, $100 etc.

It provides if the vessel is at sea when the term of the policy expires, the policy is extended at the same premium rate pro rata until it reaches the destination.

It provides a clause exempting the insured from the consequences of breach of warranty regarding cargo, trade, or similar hazard, provided notice of such breach is given the underwriters and the proper premium is paid.

Generally, there is a clause that the English rule of constructive total loss shall apply, namely that total loss may not be claimed unless the cost of salvage or repairing equals, or exceeds, the value of the vessel when repaired. (Under the American rule, the vessel or goods may be abandoned if the cost of salvage and repair will exceed 50% of the repaired value.)

Notes Re: P. and I. Policy

Protection and Indemnity Insurance protects the shipowner against legal liabilities to third parties arising out of the ownership or operation of a vessel regardless of size, subject to the term and conditions in each policy. The usual coverage under a "P. and I." policy includes:

1. Liability for loss of life, personal injury or illness of the master, officers, crew members, passengers and of other persons, who may be killed or injured on board subject to certain limitations and deductibles.

2. Liability for hospital, medical, or other expenses, necessarily and reasonably incurred in respect to loss of life of, personal injury to, or illness of any member of the crew or other person, including a maximum amount for burial expenses of any seaman.

3. Repatriation expenses reasonably incurred under statutory obligation.

4. Liability for losses arising out of collision with another vessel, insofar as such liability would not be covered by full insurance under the standard form of policy on hull, machinery, etc.

5. Liability for loss of or damage to other vessels and their cargoes other than by collision.

6. Liability for damage to any dock, pier, harbor, bridge, jetty, buoy, lighthouse, breakwater, structure, beacon or cable insofar as it is not covered by other insurance on the property.

7. Liability for costs of removing the wreck of the insured vessel when such removal is compulsory by law.

8. Liability for loss of, or damage to cargo or other property due to negligence attributable to the vessel. (Excluding mail and parcel post.)

Note: Freight on non-delivered cargo is excluded.

9. Liability for fines imposed for violation of any state or national law.

10. Liability for expenses of defending any suit against the vessel or the master in respect of any matter that would be covered by the policy — provided the expenses are approved by the P. and I. insurance company.

Note: The assured bears the proportion of expenses applicable to the deductible.

11. Liability for the expenses of putting into a port to land a sick or injured seaman.

12. Liability for cargo's proportion of General Average and special charges uncollectible from any other source, subject to certain limitations.

XU